

CRANFIELD UNIVERSITY

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CORPORATE POLITICAL ACTIVITY AND FIRM PERFORMANCE – A
SYSTEMATIC REVIEW

SCHOOL OF MANAGEMENT
MRes Management Research

Master of Research
Academic Year: 2012-2013

Supervisor: Dr Tazeeb Rajwani
August, 2013

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This thesis is submitted in partial fulfilment of the requirements for the
degree of Master of Research

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Abstract

Corporate political activity (CPA) has been recognized as a source of sustainable competitive advantage. Its proponents, mostly nonmarket strategy researchers, argue that political capital enables firms to influence their regulatory and policy environments, shape their competitive space, and improve their performance. Consequently, there is a widely held view that the performance of firms depends not only on the ability of managers to exploit economic markets but also on their ability to succeed in political markets. To test the value of political activism, recent scholarship has probed the relationship between CPA and firm performance. However, random mixed findings and the fragmented nature of the field raise more questions than provide answers to the nature of this relationship. This systematic review examines scholarly articles for evidence of the impact of CPA on firm value.

Drawing on 56 articles contributing to the topic and applying the CIMO-logic method of synthesis, this study discusses the findings within a framework of four elements. First, it examines the contexts within which CPA has been investigated. Second, it presents findings on the strategies that are studied. Third, it investigates the performance outcomes of CPA. Fourth, it explores the mechanisms that underpin the performance outcomes of CPA. The findings suggest that CPA is positively related to firm performance, an indication that there is value in political activism. However, counter evidence is reported by a few studies. The evidence also reveals that institutional contexts impact the political strategies used by firms or studied by researchers. Even though most of the studies lack theoretical grounding, social capital, cronyism and agency relationships are the popularly cited or implied mechanisms underlying the CPA-firm performance relationship. Following from the discussion, two propositions linking contexts, interventions, and outcomes are developed. The study suggests future research directions based on the gaps/limitations identified in the literature.

Keywords: corporate political activity, firm performance, CIMO-logic, systematic review

Acknowledgement

I would like to express my sincere and heartfelt gratitude to my Supervisor, Dr Tazeeb Rajwani, for his mentorship, guidance and valuable feedback during the whole course of the MRes. I am highly indebted to him for the support he gave me when I conducted this study. I would also like to thank my panel members, Dr Colin Pilbeam and Dr Carlos Mena, and the research office team, Ms Wendy Habgood, Ms Irena Pidlyskyj, and Ms Sandra Bettison, for their invaluable service. Special thanks to Dr Pilbeam who has been a strong pillar during the entire process of conducting this review.

Additionally, my gratitude goes to my family, especially to my wife Christiana M. Liedong for her unwavering commitment and unrelenting support. To my friends, Isaac, Dziedzorm, Ernest, and Christopher, thank you for your companionship.

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Chapter 1 Introduction

In the wake of increased global competition, business managers are constantly seeking for ways to enhance the competitive advantage of their firms. In doing this, they have increasingly become cognizant of the fact that marketplace strategy alone has become difficult to deliver superior firm performance. A mix of both market and nonmarket strategy has been posited as the ultimate integrated strategy that confers sustained competitive advantage on firms (Baron, 1995; Lawton et al., 2013). Consequently, firm performance is dependent on the ability of managers to influence their regulatory environments and exploit their markets (Marsh, 1998; Holburn and Vanden Bergh, 2008). As noted by Schuler (1996), the acquisition of market resources to the neglect of building political capital could have a negative toll on competitive advantage. Corporate political activity (hereafter CPA) has gained prominence in both practice and research as a strategy that firms use to influence government policy, shape their regulatory space, and drive their performance (Getz, 1997; Hillman and Hitt, 1999; Hillman et al., 2004). The need for firms to participate in the political process arises from the daunting reality that almost every firm is affected by government regulation and policy (Stigler, 1971).

The underlying rationale for CPA is to improve the fortunes of the firm (North, 1990; Hillman and Hitt, 1999; Schuler et al., 2002b). In other words, it is intended to provide firms with access to the corridors of political power (Keim and Zeithaml, 1986), reduce uncertainty (Hillman and Hitt, 1999), and subsequently empower firms with the ability to influence their competitive space (McWilliams et al., 2002; Capron and Chatain, 2008). However, a quick scan of extant literature reveals that evidence of the relationship between CPA and firm performance is mixed. While some studies report a positive relationship between political activism and performance, other studies report the absence of a significant relationship or even a negative relationship. Hence, our knowledge of the impact of CPA on firm performance is not complete or conclusive. As recommended by Sean et al. (2011), future scholarship should continue to investigate how CPA impacts performance. As much as the call by Sean and colleagues (2011) is worth heeding to, there is the need to systematically review the current literature that examines this topic. That way, we will not only be reaching conclusive evidence as to the nature of the CPA-firm performance relationship, but we will also be identifying possible and optimal avenues to contribute to the topic by way of further research (Tranfield et al., 2003; Grant and Booth, 2009).

1.1 Aim of the Review

This systematic review aims to examine, in an objective and structured manner, the empirical evidence regarding the impact of CPA on firm performance. It specifically addresses the question below:

➤ *What is the relationship between corporate political activity and firm performance?*

The following sub-questions will be also addressed:

➤ *What CPA strategies have been studied?*

➤ *In what contexts has the relationship between CPA and firm performance been studied?*

➤ *What are the different forms of firm performance?*

1.2 Structure of the Review

This review is organized into eight chapters. Following this introduction, the other chapters unfold as follows. The theoretical background informing this review is presented in the next chapter. Chapter 3 contains the review methodology while chapter 4 provides a descriptive account of the reviewed literature. In Chapter 5, thematic findings are presented following the Context-Intervention-Mechanism-Outcome logic (CIMO-logic) (Denyer et al., 2008). These findings are synthesized in Chapter 6 and discussed in Chapter 7. The review is concluded in Chapter 8 where limitations are outlined and a reflection on personal learning is done.

Chapter 2 Theoretical Framing: Positioning the Field of Inquiry

In this section, I present three main literature domains that inform and influence the scope of this review. An analysis of extant literature in these domains will set the tone for an investigation of the impact of CPA on firm performance. The domains include 1) Corporate Political Activity; 2) Business and public policy; and 3) Corporate boards and politics. First I explore the CPA literature. Second, I examine literature on business involvement in public policy. Finally, I explore the literature on the connections between corporate boards and politics.

2.1 Corporate Political Activity

CPA can simply be defined as actions undertaken by firms to influence public policy (Shaffer, 1995; Getz, 1997). It is a nonmarket strategy whereby firms' expend efforts in attempts to influence government policy (Hillman et al., 2004). Its prominence, both in practice and research, has risen over the past few years (Bonardi et al., 2006). The CPA literature is mainly focused on: 1) the antecedents of CPA; and 2) CPA and firm performance. The antecedents of CPA are among the most researched topics of CPA. Hillman et al. (2004) classified CPA antecedents into four groups namely: firm; industry; issue; and institutional. Size is the foremost determinant of CPA (Hillman et al., 2004; Lux et al., 2011). Large firms are politically active due to the resources and capabilities at their disposal (Mitchell et al., 1997; Hansen and Mitchell, 2000; Hillman, 2003; Schuler, 1996; De Figueiredo and Tiller, 2001; Hart, 2001; Oliver and Holzinger, 2008; Capron and Chatain, 2008; McWilliams et al., 2002). Firms with a large proportion of revenue from government sales are also more likely to engage in CPA (Hansen and Mitchell, 2000; Hillman and Hitt, 1999; Hadani, 2011). Ownership influences political activism as foreign-owned firms are cautious not to be tagged as influencing political processes in other countries. Consequently, they are largely invisible with their CPA (Hansen and Mitchell, 2000). Highlighting the nature of firm diversification as a determinant of political activism, Hillman (2003) noted that conglomerates are more active in broad policy issues while related-diversified firms have the flexibility to participate in specific/narrow policy issues. Due to the free-rider problem (Olson, 1971; Murphy et al., 1993), firms in small or concentrated industries are more politically active since they are able to share the cost and benefits of political actions (Hersch and McDougall; Schuler, 1996; Hillman, 2003; Grier et al., 1991; Grier et al., 1994). Institutional characteristics such as form of government, corruption, and

corporatism/pluralism influence the way firms conduct CPA (Hillman and Keim, 1995; Hillman and Hitt, 1999; Barron, 2011). While there is a consensus on what drives CPA, there is hardly any on the impact of CPA on firm performance. For instance, Shaffer et al. (2000) find a positive correlation between nonmarket actions and firm performance, but counter evidence presented by Coates (2010) shows that CPA erodes firms' value.

The following sub-sections delve deeper into smaller streams and themes of CPA. They, together, present a holistic picture of the phenomenon under investigation. They also draw on the much-researched antecedents of CPA.

2.1.1 Approaches to CPA

Hillman and Hitt (1999) in their seminal work identified two general approaches to CPA namely: 1) Transactional approach; and 2) Relational approach. Transactional approach to political activity is short term (Hillman and Hitt, 1999). Firms that adopt this approach await the development of salient issues before embarking on a strategy to influence policy (Buchholz, 1992). Such an issue-by-issue orientation of strategy is reactive (Getz, 1993) and does not attempt to impact policy issues until they are out there in the public domain. A transactional approach to corporate political activity can be likened to the transactional form of leadership (Bass, 1985) where the focus is on the achievement of specific objectives (Hargis et al., 2011).

The relational approach, however, “attempts to build relationships across issues and overtime” (Hillman and Hitt, 1999, p.828). These relationships are forward looking and proactive, and can be called upon by the firm as and when policy issues arise. The adoption of relational approach implies that firms build political capital (Shaffer and Hillman, 2000), or relational capital (Hadani and Schuler, 2013) with politicians or regulators and use these ties when the need arises. Literature on strategic networks emphasize that the embeddedness of firms in networks of social, professional and exchange relationships creates an imperative need for the development of enduring ties with other actors, especially dependencies (Gulati, 1998). The reliance of firms on government for policy is one of such dependency relationships that need to be managed (Pfeffer and Salancik, 1978; Getz, 1997). As the policy process is made up of demanders and suppliers (Hillman and Keim, 1995; Bonardi et al., 2005), a relational approach facilitates the development of trust between actors (Hillman and Hitt, 1999) and subsequently creates social capital (Nahapiet and Ghoshal, 1998). The literature suggests that the level of diversification (Hoskisson and Hitt, 1990; Shaffer and

Hillman, 2000), culture (Hillman and Hitt, 1999), and firm age (Hillman, 2003) determine the approach to CPA. Some of these studies also consider the significance of individual or collective CPA, which is vital to understanding CPA performance.

2.1.2 Individual vs. Collective CPA

In his seminal work, Olson (1965) identified two ways through which firms and interest groups influence public policy: 1) individually; and 2) collectively. Hillman and Hitt (1999, p. 830) define individual action as “solitary efforts by individuals, or individual companies in this case, to influence public policy” and collective action as “the collaboration or cooperation of two or more individuals or firms in the policy process.” This distinction is similar to what is reported in market strategy literature where firms choose to pursue market opportunities alone or co-act with others. Collaboration allows firms to reduce uncertainty and resource commitments (Burgers and Kim, 1993; Ang, 2008). In CPA, firms choose to collude or act individually to influence policy. Typical examples of collective action are those involving trade associations, unions and industry groups. The choice of individual or collective action is influenced by the costs and benefits of CPA (Keim and Zeithaml, 1986). Firms that believe a political action will bring private benefits will likely take individual action. However if benefits are collective, firms will prefer collective action so as to share the costs of political action with other beneficiaries. This prevents the free-rider problem (Yoffie, 1987) where firms are not motivated to participate in the provision of a public good provided they are not excluded from the resultant benefits (Olson, 1971).

Resource dependency theory (Pfeffer and Salancik, 1978) posits the need for firms to manage external dependencies and in this case, government. However, the relationship between firms and government is not a typical dependency but interdependency. It is an exchange relationship where firms provide information and resources to politicians and politicians supply policies to firms (Hillman and Hitt, 1999). Hence, it is a transfer for mutual benefit. Large firms are more likely to engage in individual CPA due to the availability of resources and also due to their attractiveness to resource-constrained legislators (Schuler et al., 2002b). Even if the benefits of their actions accrue to other non-participating firms, their size makes it possible for them to enjoy a larger chunk of the benefits. On the other hand, firms with fewer resources prefer collective action (Hillman and Hitt, 1999). The absence of slack resources or lack of knowledge of the policy process may cause small firms to collaborate (Hillman and Hitt, 1999). Collective action places the responsibility of monitoring the policy arena on a

group and allows resource-constrained firms to pull resources together to reduce their per-unit cost of political action (Chong, 1991).

Participation in CPA also varies on the corporatism-pluralism continuum (Hillman and Hitt, 1999). In corporatist countries, cooperation and consensus are strong values and firms in such countries are more likely to collaborate than compete (Barron, 2011). Culture in corporatist systems frown upon singular interests at the expense of group interests (Drake, 2001). Pluralist countries, however, are characterized by self-seeking behaviours where the “winner takes it all” mantra holds strong. Here, individual action is predominant. Typically, negative, rent-seeking or zero-sum policies are easy to implement in pluralist systems where fragmented interest groups compete for favours (Hillman and Keim, 1995). The absence of large umbrella associations makes it easy for narrow interests to succeed in affecting policy at the expense of others, a situation that will not suffice in corporatist countries where the opportunity for special interests to influence policy is limited (Hillman and Hitt, 1999). Studies have shown that managers who are socialized in individualistic societies view negotiation as competition and will tend to negotiate for self-benefit (Cai et al., 2000; Drake, 2001). Presidential government systems are more likely to encourage individual action while parliamentary systems augment the development of collective action (Hillman and Keim, 1995). In a nutshell, institutional environments affect firms’ strategic decisions (Peng, 2002; Peng, 2003) and the way of participation in CPA (Barron, 2011).

2.1.3 Political Strategies and Tactics

There is hardly any consensus on the list of political strategies that firms employ to influence public policy (Hillman and Hitt, 1999). Earlier work on political strategies dwelled on popular strategies such as campaign contributions or lobbying (Baysinger et al., 1985), but in recent times, a multitude of political strategies are replete in the literature. For instance, Keim and Zeithaml (1986) identified five strategies they claim are common to many firms: constituency building, campaign contributions, lobbying, advocacy advertising, and coalition building. Similarly, Hillman and Hitt (1999) reported three generic strategies under which various tactics can be grouped. Below, I present an overview of the popular strategies of CPA.

Financial Strategies

Perhaps the most influential political strategy, financial strategy involves expending money on politicians to get favourable policies. The specific tactics in a financial strategy include political campaign contributions and lobbying expenditure. Firms make contributions to the campaigns of politicians so as to get access and audience when necessary (Kim, 2008). In the United States, political action committees (PAC) characterize the political landscape. They allow individuals and firms to contribute to support or oppose political candidates. Most of the empirical studies on the antecedents of CPA have looked at PAC contributions (Hersch and McDougall, 2000; Hansen and Mitchell, 2000; Ansolabehere et al., 2002; Bond, 2004). This tactic is not visible in many parts of the world due to institutional variations. Corporations may contribute to elections, but this activity is not recorded everywhere. Thus, most PAC studies have clustered around the US where there are laws to regulate political spending.

Relational Strategies/Personal Connections

Another CPA tactic is personal service (Hillman et al. 1999) or political service (Hadani and Schuler, 2013). Personal service (having a firm representative in a political position or a politician on the board of a firm) is popular in most countries. Drawing on resource dependency theory (Pfeffer and Salancik, 1978), personal service is a tactic for managing external dependencies such as politicians. Firms are affected by policies (Weidenbaum, 1980) yet the suppliers of those policies are external of the firm. Co-opting politicians into corporate boards through directorships is one way firms manage external dependence (Kotter, 1979). Personal or political service allows firms to reduce uncertainty related to dependency relationships (Getz, 1997).

Informational Strategies

Political decision makers need information for the formulation of policy. Firms that have information on the costs and benefits of policy preferences use it to influence policy decisions (Hillman and Hitt, 1999). The targets of an information strategy include bureaucrats and politicians. Lobbying, done by hired professionals or by firm executives, is a typical tactic of an information strategy (Lord, 1995). It involves “efforts by political professionals or company executives to establish communication channels with regulatory bodies, regulators and their staff” (Keim and Zeithaml, 1986, p.830). The aim is to monitor the regulatory environment and provide information on the consequences of legislation.

Another tactic under information strategy is the act of commissioning research on policy issues and reporting findings in ways that persuade legislators. Some firms file petitions to advocate for new policies or to defend existing ones (Shaffer and Hillman, 2000; Lenway and Rehbein, 1991; Schuler, 1996). To lobby or to petition are options for a firm. Lenway et al. (1990), using evidence from literature, modelled that when seeking trade protection policies a firm is better off investing in strengthening the evidence in a petition than lobbying congressmen. As demonstrated by Schuler et al. (2002b), politically active firms combine tactics. Hence it is possible for firms to use lobbying and petitions simultaneously to influence regulations.

Constituency Building

Constituency building refers to efforts to “identify, educate and motivate to political action those individuals who may be affected by policy that have an impact on the corporation” (Keim and Zeithaml, 1986, p.839). Unlike financial and information strategies that directly target politicians and regulators, this strategy is indirect. It is geared towards influencing citizens, voters or the general public who in turn influence politicians (Baysinger et al., 1985). A corporation’s constituency typically consists of its employees, suppliers, dealers, shareholders and residents of the community within which it is located (Keim and Zeithaml, 1986). Constituency building is a “bottom-up” communications strategy (Buchholz, 1992) where grassroots support is mobilized for political action (Hillman and Hitt, 1999). Shareholders will support activities that increase the value of their firm; hence they are a resource a firm can use to execute a constituency building strategy (Baysinger et al., 1985). Similar to constituency building is advocacy advertising which is designed to reach a broader audience (Sethi, 1979). Basic requirements including credibility, accuracy, and non-coerciveness need to be met by advocacy programs (Keim and Zeithaml, 1981). Additionally, press conferences are used by firms to build a strong constituency.

The above mentioned strategies will be the focus of this thesis where evidence of their impact on firm performance will be examined.

2.1.4 Types of CPA

Political behaviour can be classified into different broad types. Meznar and Nigh (1995) argue that corporate political activities can be grouped into two types: 1) activities that buffer from the regulatory, social and political environments and; 2) activities that bridge with the

environment. They define buffering as “trying to keep the environment from interfering with internal operations and trying to influence the external environment” and bridging as to “adapt organizational activities so that they conform to external expectations (Meznar and Nigh, 1995, p.976). Bridging involves proactive actions used to inform government about the possible effects of regulation (Hillman et al., 2004). These activities, including lobbying and campaign contributions, are intended to shape policy (Weidenbaum, 1980). Bridging is a “reactive form of behaviour” (Hillman et al., 2004) which resembles Boddewyn and Brewer’s (1994) “non-bargaining” political behaviour. Here, compliance, avoidance and circumvention are the tactics used in “passive reaction” (Weidenbaum, 1980). In uncertainty environments, firms are more likely to bridge and buffer (Meznar and Nigh, 1995). This allows them to influence policies and comply with those they cannot change. Large firms with more resources, large market share, good technology and economic spill-overs are likely to buffer (Meznar and Nigh, 1995; Blumentritt, 2003). This argument is consistent with Pfeffer and Salancik’s (1978) finding that size is positively related to a firm’s power over the external environment. Boddewyn and Brewer (1994) also proposed that firms are likely to buffer when a policy issue is salient.

Another way to classify firms’ political behaviour is using the visibility-invisibility continuum. Firms can choose to either be visible or invisible with their political activities. Institutional factors largely affect this decision. During political turmoil, corporations dim the light on their CPA in order to avoid backlash from the public or new governments (Decker, 2011). Also in countries with strong nationalist governments, the threat of nationalization (Minor, 1994; Williams, 1975) of assets deters visibility. This threat is more severe for foreign firms. Mitchell and Hansen (2000) argued that firms with foreign ownership do not make PAC contributions (visible) in order not to be perceived as influencing political process in foreign countries. To reduce visibility, firms can take collective action, i.e. acting through associations and unions. However, there is little research on the typology and of CPA (Hillman et al., 2004), particularly on the in/visibility of CPA.

2.1.5 Theoretical Foundations of CPA Research

The CPA field is informed by a number of theories including agency, institutional, resource dependency, public choice, resource-based-view (RBV), and exchange theories (Getz, 1997). Due to the multitude of antecedents that determine political action, no one theory is optimal for the study of CPA (Lux et al., 2011). However, the dominant theories include institutional

theory (DiMaggio and Powell, 1983; North, 1990), RBV (Barney, 1991) and transaction cost theory (Williamson, 1985). Institutional variables such as form of government (Hillman and Keim, 1995), corporatism/pluralism (Hillman and Hitt, 1999; Barron, 2011), and corruption (Kim, 2008) influence the nature and benefits of CPA. The implementation of effective political strategies to a large extent depends on firm resources (Hillman and Hitt, 1999; Lawton et al., 2013) while the decision to internalize or outsource CPA is informed by transaction costs (Sawant, 2012). Much of CPA research has assumed an institutional perspective (Henisz, 2004; Doh et al., 2012). New institutional economics (North, 1990; Bonardi et al., 2006) posits that political and regulatory uncertainty shape nonmarket strategy; neo-institutionalism (Scott, 2005) observes the impact of social forces on political actors responsible for policy making; and national business systems (Hansen and Mitchell, 2001; Khanna et al., 2005; Jackson and Deeg, 2008) suggest that variations in political-economic models call for different approaches to nonmarket strategy.

2.2 Business and Public Policy

Political behaviour is attractive for a variety of reasons which include the ability of political power and influence to provide more sustainable competitive advantage (Boddewyn and Brewer, 1994). Virtually all firms in the United States are regulated (Weidenbaum, 1980). Interestingly these regulations are borne out of public policy, which raises the interest of firms in the policy process. According to Bernhagen and Brauningner (2005. p. 46), the public policy making process is “decision making of interdependent public and private actors who engage in exchange relations.” This concept depicts the policy arena as a marketplace with demanders and suppliers (Boddewyn and Brewer, 1994; Hillman and Keim, 1995; Bonardi et al., 2005; Kingsley et al., 2012).

Aggregately, policy decisions are skewed towards business interests (Bernhagen and Brauningner, 2005). In capitalist economies, the private sector drives economic growth through employment and tax revenue. Aware that the dire consequences of policies that are inimical to business interests can affect their re-election fortunes, politicians tend to accommodate the preferences of the private sector in policy formulation. This has caused an increased involvement of business in policy making. According to Grossman and Helpman (1994), politicians are maximizing agents who pursue interests of their own rather those of society. They argue that campaign contributions are able to cause politicians to alter policies to suit the interests or preferences of contributing firms, and hence conclude that trade

protection is for sale. Earlier works such as Saltzman (1987) found that PAC contributions influenced congressional voting on labour issues in the United States. Similarly, Moore et al. (1995) reported that political donations had significant influence on COPE legislations in the United States. These studies cast some evidence on the relationship between business and politics, particularly the influence of interest groups in policy making (Ramírez and De Long, 2001; Ramírez and Eigen-Zucchi, 2001).

However, the power of the corporation to influence policy is limited under some circumstances. When policy issues are of interest to many groups and individuals, policy favours are difficult to obtain (Hillman and Keim, 1995). Issue salience and wide participation leaves little discretion to politicians and policy makers (Bonardi and Keim, 2005; Schuler, 2008). Election issues and old policy issues are also hard to influence (Bonardi and Keim, 2005). It is worth noting that the literature examining the limits of firms in the policy process fails to consider the impact of political governance. Autocratic and military governments limit the power of the firm. Under these political regimes, elections are not significant and firms which unduly interfere in government processes face threats of expropriation. In democracies, while competition among politicians is attractive to firms, competition among bureaucrats is undesirable because bureaucrats largely maintain the status quo (Bonardi et al., 2006; Sawant, 2012). This argument assumes that firms oppose the status quo, hence omitting the fact that in policy markets there are factions that advocate for change and those that defend existing policies. The latter group would find bureaucrat competition highly desirable for the defence of policy and maintenance of the status quo.

2.3 Corporate Boards and Politics

Corporate governance basically refers to the relationships between a company's management, board of directors, shareholders and other stakeholders. Studies in this domain have taken on a wide range of issues including corporate board of directors and politics (Wai-Ching Poon et al., 2013), ownership structure (Jensen and Meckling, 1976; Lai and Sudarsanam, 1997), organizational ethics (Carroll et al., 2002), social responsibility (Campbell, 2007; Ioannou and Serafeim, 2012; Jackson and Apostolakou, 2010; Jo and Harjoto, 2012), information disclosure (Hermalin and Weisbach, 2012) and executive compensation (Noe and Rebello, 2012). Noted by Coates (2010), corporate governance literature is vast. Perhaps, the strongest tie between corporate governance and CPA lie in the fact that both have an overarching aim to improve shareholder value.

Corporate boards are a useful resource for a firm (Boyd, 1990; Dalton et al., 1998; Zahra et al., 2009). Among the many benefits directors confer on firms include legitimacy, advice and counsel, and channels of information (Hillman et al., 2000). Any person appointed as a director has to support the firm and be concerned with the firm's problems (Pfeffer and Salancik, 1978). From this logic, boards are supposed to aid the firm to their best of ability. The dynamics of board compositions are interesting. Boyd (1990) studied the relationship between board size, the number of interlocks and environmental uncertainty and found that in highly uncertain environments and when resources are scarce, board size decreases. Under those same conditions, the number of board interlocks increases. Similarly, Pfeffer and Salancik (1978) found that the number of interlocks increases with competition. Highly regulated firms mostly appoint lawyers and people with political experience to their boards as a way to gain an upper-hand in influencing the policies that affect them (Hillman et al., 2000).

As mentioned earlier, the decisions that politicians and regulators make affect the performance of firms (Hillman, 2005). Trade agreements, privatization, deregulation are among a host of other government policies that alter the economic fortunes of firms (Shaffer, 1995; Schuler, 1996), causing the surge in corporate attempts to influence public policy. A political strategy that can be used in the exchange relationship between government and firms is the appointment of people with political experience to boards. It is common to find politicians sitting on corporate boards, even though scrutiny of this strategy has increased in recent times. Co-opting politicians into boards may provide difficult-to-access and unique information about the policy process; confer legitimacy on firms; and bolster access to other politicians, which may allow a firm to influence policy decisions (Pfeffer, 1972). As argued by Agrawal and Knoeber (2001), the increase in the number of board members with political experience signifies the important role of politics in business. They conclude that some directors play political roles for firms. The intended overall effect of having politically connected boards is for improved firm performance. The political, economic and social ties of directors have been reported to have a positive effect on financial performance (Dicko and El Ibrami, 2013). In other instances, the ties to government add no significant value to firms perhaps due to the constraints and costs of political embeddedness (Okhmatovskiy, 2010). Do politicians increase firm performance or do successful firms appoint politicians on their boards? This question begs for an answer. Mixed findings on the performance impact of co-opting politicians into corporate boards call for further studies on the topic.

After exploring the concept of CPA, its strategies and general nature; the participation of business in politics and public policy; and the connectedness between corporate boards and politics, the context is created for an examination of evidence of the impact of CPA on firm performance. The methodology employed to answer the research question *what is the relationship between CPA and firm performance* is explained in the next chapter.

Chapter 3 Methodology

The methodology employed in conducting this systematic review followed the approach posited by Tranfield et al. (2003) and Petticrew and Roberts (2006). These studies articulate a systematic way of reviewing management and social sciences literature. Prior to beginning the review, I carried out a scoping study to “access the size and relevance of literature and to delimit the subject area or topic (Tranfield et al., 2003, p.214), to identify the nature and extent of research literature (Grant and Booth, 2009), to identify the current state of understanding of the topic (Anderson et al., 2008), and to determine the value of undertaking a systematic review (Arksey and O'malley, 2005). The scoping process required analytical interpretation (Levac et al., 2010) of the “theoretical, practical and methodological history debates surrounding the fields and sub-fields of study” (Tranfield et al., 2003, p.214-215). This preliminary investigation enabled the systematic gathering and examination of information in order to establish strengths, weaknesses or gaps that will help in decision making (Davis et al., 2009), and in this case a decision of a research question for a systematic review. After scoping the field, a review panel was formed. Subsequently, I developed a systematic review protocol which was approved by the panel.

3.1 Why do a Systematic Review?

Systematic review is an evidence-based approach which originated from medical sciences and healthcare, aimed to improve decision making (Tranfield et al., 2003). In management research and social sciences, this approach is a new phenomenon that is yet to gain popularity. Management reviews are typically narrative reviews which mostly provide descriptive accounts of literature, and they differ significantly from systematic reviews which adopt “a replicable, scientific, and transparent process...” and provide an “audit trail of reviewers’ decisions, procedures and conclusions (Tranfield et al., 2003, p. 209). Hence systematic reviews attempt to reduce reviewer bias as much as possible so as to provide a critical account of evidence.

I conduct a systematic review for a couple of reasons. First and overarching reason is to enable me create a deep foundation for my PhD topic and to develop a research question that will allow for the maximization of contribution to literature, theory, and practice. Second, I do a systematic review because it ensures rigour and transparency, minimizing the weaknesses inherent in traditional narrative reviews (Tranfield et al., 2003; Petticrew and

Roberts, 2006). Systematic review techniques reduce bias and subjectivity (Tranfield et al., 2003). Third, systematic reviews allow for a more holistic picture, and they facilitate the identification of common, general, and conclusive evidence (Tranfield et al., 2003). Unlike systematic reviews, traditional narrative reviews are “singular” accounts (Tranfield et al., 2003) and are not conclusive due to conflicting information and difficulty to determine a balance of the evidence (Petticrew and Roberts, 2006). Fourth, a systematic review may help advance theory by providing opportunities to challenge existing knowledge and established schools of thoughts (Petticrew and Roberts, 2006).

3.2 Review Panel

A review panel consisting of topic, theory, and methodology experts was assembled to ensure quality, reliability, and validity of the systematic review process and outcome. The panel reviewed the scoping study, approved the protocol, provided guidance, and resolved disputes about inclusion/exclusion of studies (Tranfield et al., 2003). The review panel consisted of the following persons.

Table 3-1 Members of Systematic Review Panel

Person	Title/Organization	Role
Dr Tazeeb Rajwani	Senior Lecturer, Cranfield School of Management	Supervisor and subject expert
Dr Carlos Mena	Reader, Cranfield School of Management	Subject expert
Dr Colin Pilbeam	Senior Research Fellow, Cranfield School of Management	Methodology expert
Ms Heather Woodfield	Information Specialist, King Norton’s Library, Cranfield University	Literature search expert

Dr Tazeeb Rajwani

Tazeeb is a Senior lecturer in Strategic Management at the Cranfield School of Management. He holds or has held visiting faculty positions at London Business School, Kings College London, University of Warwick, ALBA (Greece), EM Lyon (France), University of Notre Dame, Strathmore University (Kenya), Royal Holloway (University of London) and University of Nottingham. Prior to these roles he held a management position at KPMG Corporate Finance. He has industrial experience in strategy consulting, project finance, corporate finance and international management. His research focuses mainly on corporate

political activity, competitive advantage, and turnaround strategies. He has written various academic papers, book chapters, reports and white papers. Dr Tazeeb is my supervisor.

Dr Carlos Mena

Dr Carlos Mena is Director of the Centre for Strategic Procurement and Supply Management and a Reader in Procurement at the Supply Chain Research Centre of the Cranfield School of Management. He is also head of the Executive Procurement Network (EPN). The EPN is a joint initiative with the Chartered Institute of Purchasing and Supply (CIPS) to develop a vibrant network of procurement professionals engaged in a collaborative effort to create and disseminate thought leadership in the field of procurement. His expertise is in procurement, global sourcing, and sustainability. He is a content expert, particularly in political risk.

Dr Colin Pilbeam

Dr. Pilbeam is a Senior Research Fellow within the Centre for Management Knowledge and Strategic Change at Cranfield School of Management. His expertise is in organizational networks, social networks, higher education management, change management, and supply chain. His wider research interest focuses on understanding co-evolution of formal and informal structures through the analysis of organizational designs. He has published over 50 articles in high quality journals, and between 2005 and 2011 he was the Director of the PhD programme at the Cranfield School of Management. He is an expert in systematic review methodology. Dr. Pilbeam is the chair of my review panel.

Ms Heather Woodfield

Heather is an Information Specialist for Social Sciences at the King Norton's Library, Cranfield University. She is a literature search expert who assisted in the development of search strings. She also advised on the appropriate databases to search for papers.

3.3 Search Strategy

The search strategy used in this review comprised the identification of keywords, terms and phrases which I built from the scoping study, the literature, and discussions with the panel members (Tranfield et al., 2003). I initially searched two databases for articles from which I identified further articles through cross-referencing. Below is the step-by-step search protocol I followed.

1. Identify keywords and phrases
2. Form the search strings
3. Select database
4. Test the search string. If it does not generates relevant articles, modify the string and test again
5. If string generates relevant articles, select based on title and abstract, and then further select based on full paper
6. Scrutinize selected articles based on quality assessment criteria

3.3.1 Keywords

There are two constructs in my review question. These are 1) corporate political activity, and 2) firm performance. As stated in Chapter 2, there are three dominant categories of CPA strategies in the literature namely 1) financial, 2) relational, and 3) informational strategies. Drawing on several important and seminal studies, I identified the different terms and phrases used to describe CPA and firm performance. These key terms are shown in Table 3-2.

Table 3-2 Search Terms/Phrases

Domain	Sub-Domain	Key Terms/Phrases
Corporate Political Activity		
	<i>Financial</i>	Political action committees (PACs) (Hansen and Mitchell, 2000)
		Campaign contributions (Claessens et al., 2008)
		Soft money (Jayachandran, 2006)
		Political donations (Witko, 2011)
		Political contributions (Ansolabehere et al., 2002)
		corporate political investments (Hadani and Schuler, 2013)
	<i>Relational</i>	Political connections (Fisman, 2001)
		Political ties (Fan et al., 2007)
		Political links (Hillman et al., 1999)
		Politically connected boards (Hillman et al., 2004)
		Business-government relations (Shaffer and Hillman, 2000)
	<i>Informational</i>	Lobbying (Lawton and Rajwani, 2011)
		Petitions (Lenway et al., 1990)

Firm Performance Outcomes		Benefits (Hillman et al., 1999)
		Performance (Shaffer et al., 2000)
		Value (Fisman, 2001)
		Outcomes (Lux et al., 2011)
		Effectiveness (Hillman et al., 2004)
		Success (Hillman et al., 2004)
		Impact (Hillman et al., 2004)
		Returns (Hadani and Schuler, 2013)

3.3.2 Search Strings

Search strings were created through a combination of the search terms or phrases shown in Table 3-2. Three search strings were created for each of the three sub-domains of corporate political activity while a single string was created for firm performance. The individual search strings developed are shown in Tables 3-3 and 3-4.

Table 3-3 Search Strings for CPA

Financial CPA Strategies	Relational CPA Strategies	Informational CPA Strategies
(“political action committee” OR “PAC contributions” or “politic* donat*” OR “campaign contribution” OR “political contribution” OR “corporate politic* invest*” OR “soft money”)	(“politic* connect*” OR “politic* ties” OR “politic* link*” OR “politically connected boards” OR “business-government relations”)	(lobby* w/5 (corporate OR firm))

Table 3-4 Search Strings for Firm Performance

Firm Performance Outcomes
(Benefits OR “firm performance” OR performance OR value OR returns OR outcome OR effect* OR success* OR impact)

Each of the strings for CPA is combined with the string for firm performance, resulting in three different combinations as shown in Table 3-5. Keyword searches were initially restricted to titles and abstracts.

Table 3-5 Combined Search Strings

No.	Search Theme	String
1	Financial CPA Strategies and Firm Performance	(“political action committee” OR “PAC contributions” or “politic* donat*” OR “campaign contribution” OR “political contribution” OR “corporate politic* invest*” OR “soft money”) AND (Benefits OR “firm performance” OR performance OR value OR returns OR outcome OR effect* OR success* OR impact)
2	Relational CPA Strategies and Firm Performance	(“politic* connect*” OR “politic* ties” OR “politic* link*” OR “politically connected boards” OR “business-government relations”) AND (Benefits OR “firm performance” OR performance OR value OR returns OR outcome OR effect* OR success* OR impact)
3	Informational CPA Strategies and Firm Performance	(lobby* w/5 (corporate OR firm)) AND (Benefits OR “firm performance” OR performance OR value OR returns OR outcome OR effect* OR success* OR impact)

3.3.3 Databases

Following the methodology of Pittaway et al. (2004), de Menezes and Kelliher (2011), and Lawton et al. (2013), I searched the databases ABI/Inform and EBSCO. These databases are very comprehensive and they index a vast amount of business literature. Even though there is a degree of overlap between the two, it was still worthwhile to search both just in case any one of them missed out on a publication. In Table 3-6, the databases are described.

Table 3-6 List of Databases

Database	Description
ABI/Inform (ProQuest)	Contains a wide range of information covering over 3,900 publications in business and economics.
EBSCO	The world’s largest full text database covering over 3,700 scholarly business publications.

3.3.4 Cross Referencing

An additional way I identified literature for this review was through cross referencing. The articles that were found from the databases shown in Table 3-6 were checked for relevant references. Suggested articles from my supervisor, colleagues, and friends were also

considered. Literature identified through these approaches went through the same selection criteria and quality assessment as those identified directly from the databases.

3.4 Selection Criteria for Articles

Operationalizing the search strings resulted in large number of articles. To ensure that only relevant papers are reviewed, the articles were scrutinized in a four-stage process based on pre-determined criteria. First, I scrutinized titles to identify those that had a relation with the review question. Second I screened abstracts to identify papers that contained relevant themes. The inclusion criteria shown in Table 3-7 were applied in these first two stages. Third, I scrutinized full text of the papers to confirm the presence of themes relevant to the review question. Finally, I applied the quality criteria to appraise and select the reviewed articles. There is a dearth of literature on this topic; hence relevancy to the review question was the most important criteria. There was no restriction to particular geographic regions, industry, or methodology. Applying any of such restrictions could render futile the CIMO-logic approach that this thesis adopts. Considering the review question at hand, only empirical papers made it to the final sample.

Table 3-7 Inclusion/Exclusion Criteria

Criteria	Inclusion	Exclusion	Rationale
Publication Theme/Topic	Studies that examine the relationship between CPA and firm performance and ask the following questions: <ul style="list-style-type: none"> • What is the impact of CPA on stock and operating performance? • What is the impact of CPA on policy performance? 	Does not examine the relationship between CPA and firm performance	To answer the review question. The review aims to examine the firm performance outcomes of CPA
Publication Type	Peer-reviewed, scholarly and academic papers	Non-scholarly articles, Newspapers, trade publications, magazines, conference papers and proceedings, working papers, theses, books	To ensure relatively higher quality due to the rigorous review process that scholarly articles are subjected to. Good conference papers are usually turned into articles later, books and conference papers are difficult to search systematically, newspapers and other press articles might be of

			low quality and rigour.
Date of Publication	From 1969	Before 1969	The origin of CPA research is attributed to Epstein (1969), and the study of CPA-firm performance relationship began later after 1969
Language	English	Non-English	English is considered the universal language for academic publications, and also to prevent any inaccuracies arising from translation
Sector	Private Sector	Government or Charity Sector	CPA is largely done by private organizations. Moreover, the focus of the thesis is on private business.

3.5 Quality Appraisal

After selecting papers based on titles, abstract and full text, these papers were appraised for quality. This followed a laid down criteria shown in Table 3-8. Following from my review question, all relevant papers were empirical and had to meet the quality appraisal criteria in order to proceed to the review stage. CPA research is nascent but is spread across journals with different rankings. In order not to fall into the trap of assuming that papers in top rated journals are necessarily good, journal ranking was not considered in my quality appraisal criteria.

Table 3-8 Quality Appraisal Criteria

Empirical - Quantitative papers	1	2	3	4	5
Theoretical framework and development of hypotheses					
Are the study's propositions and hypotheses clearly articulated?					
Are the basic arguments of the paper important and interesting?					
Are important premises and assumptions identified?					
Are the key terms defined?					
Description and evaluation of methods					
Is the methodology of the paper clearly identified?					
Are data collection methods described adequately?					
Are the sampling strategy and sample explained?					
Is the operationalization of the variables and the constructs plausible (content validity)?					
Are dependent and control variables identified and described?					
Do measures theoretically relate to independent and dependent variables (construct validity)?					
Are questionnaire or other instrument items identified and described?					
Have steps been taken to avoid data collection errors?					

Is there evidence of reliability or internal consistency in the study?					
Results					
Are the findings adequately and accurately described?					
Are the results related back to original propositions, hypothesis, research question, and data analysis?					
Do tables provide sufficient and accurate data to allow reader to reach independent conclusions?					
Is implied causality justified?					
Has the author adequately considered alternative explanations for the results?					

1=Not at all. 2=To a limited extent. 3=At an acceptable level. 4=To a significant level. 5=Completely

Source: Modified from Huff (1999, p.158)

All criteria were scored from 1 (not at all) to 5 (completely). A minimum score of 3 in relation to each criterion was applied to select the papers that made it to the final sample.

3.6 Selected Articles

The search and evaluation process that is presented above resulted in a final sample of 56 articles. A total of 175 duplicates were identified per each string across both databases. Pulling all string data together and conducting a further duplicate check, I found 87 duplicates between strings for both databases. I further and manually identified 42 duplicates after exporting the results from RefWorks to Excel. In total, there were 304 duplicates. The search results are shown in Table 3-9

Table 3-9 Results for Search Strings per Database

Search String	ABI/Inform	EBSCO Business Source Complete	Total for Search String	Total after elimination of duplicates per string
String 1	72	105	177	153
String 2	1,456	974	2429	2295
String 3	107	50	152	135
Totals	1,630	1,128	2,758	2,583
Total search results after elimination of duplicates				2,454*

*262 duplicates were identified using the RefWorks function “find duplicates”, 42 were identified manually.

The process of selecting the papers for the review is summarized in Table 3-10. Titles, abstracts, and full texts were screened for relevance before quality appraisal was done. The list of selected articles is shown in Appendix A, and the quality appraisal scores are provided in Appendix C.

Table 3-10 Selection Process

Title Screening	<ul style="list-style-type: none"> ➤ Started with 2,454 articles after removing all duplicates ➤ 1,523 titles related to entirely different research areas such as public-private partnerships, NGOs, Development, Capital Control, etc. Examples of titles include: <i>“Reasons for implementing public private partnership projects”</i>, <i>“Stakeholder management for public private partnerships”</i>, <i>“Investments in rent-seeking”</i>, <i>“Changes in Korean Corporate Governance: A Response to Crisis”</i>, <i>“The influence of UK NGOs on the common agricultural policy”</i> ➤ 668 titles related to the research area but did not relate or refer to the review question. These titles related to the types and determinants of political strategies, and to political organization for lobbying. Some examples of such titles include: <i>“Were lobbyists on income tax accounting influenced by income strategies?”</i>, <i>“Who Gave Soft Money? The Effect of Interest Group Resources on Political Contributions”</i>, <i>“Competition and political organization: Together or alone in lobbying for trade policy?”</i>, <i>“Firm-level determinants of political influence”</i>, <i>“Constituency building as the foundation for corporate political strategy”</i>, <i>“Are firms’ lobbying strategies universal? Comparison of lobbying by French and UK firms”</i> ➤ 2 articles were eliminated because they related to state/municipal lobbying and not corporate level political activity. Example: <i>“Fiscal Federalism, State Lobbying and Discretionary Finance: Evidence from India”</i> ➤ In total, 2,193 papers were eliminated because they didn’t address the review question
Abstract Screening	<ul style="list-style-type: none"> ➤ Started with 261 articles after title screening ➤ 58 articles were eliminated because they related to different research areas ➤ 89 were eliminated because they related to the research area but did not address the research question. Examples include: <i>“Latino Political Connectedness and Electoral Participation”</i>, <i>“Political Connections: The Missing Dimension in Leadership”</i>, <i>“The Contingent Value of Corporate Political Ties”</i> ➤ A total of 147 articles were eliminated, retaining 114 articles.
Full text Screening	<ul style="list-style-type: none"> ➤ Started with 141 articles (114 from databases, 25 from cross-referencing, and 2 from recommendations by supervisor) ➤ 67 articles from the databases and 5 from cross-referencing were eliminated because they were not related to the research question. These papers focused on state enterprises, political strategies and antecedents of CPA. Others were conceptual, or did not address a specific political strategy. Examples of titles include: <i>“High-level politically connected firms, corruption, and analyst forecast accuracy around the world”</i>, <i>“Cross-border political donations and Pareto-efficient tariffs”</i>, <i>Firm Level Performance Implications of Nonmarket Actions</i> ➤ A total of 72 articles were excluded at this stage, retaining 69 articles.
Quality Screening	<ul style="list-style-type: none"> ➤ Quality screening was conducted for 69 articles ➤ 13 articles (2 from cross-referencing and 11 from the databases) were eliminated due to issues with methodology and trustworthiness ➤ The final sample contained 56 articles (18 from cross-referencing, 2 from recommendations, and 36 from the databases)

3.7 Data Extraction

Relevant data from all 56 articles were extracted to a standardized data extraction form designed to capture CIMO-logic themes, methods, and key findings in the literature (see Table 3-11). Because of the diversity of the individual papers with regards to contexts, strategies, mechanisms and performance outcomes, broad categories were developed for each element in the CIMO framework. Data extraction facilitated the rendering of a descriptive account and a synthesis of the literature. The extraction sheets for all individual papers are shown in Appendix E

Table 3-11 Data Extraction Form

Citation/Description
Title:
Author(s):
Journal:
Year:
Keywords:
Research objective/Question:
Methodology
Sample selection, size and characteristics:
Data sources/ Data collection methods:
Methods of analysis:
Theme
Context:
Intervention/Strategy
Mechanism implied by theory
Outcome
Results
Key findings:
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

3.8. Synthesis

Due to the fragmented and inconsistent nature of the literature, synthesis of information followed the CIMO-logic (Denyer et al., 2008) as applied by Pilbeam et al. (2012). This

method relates to the design science paradigm where the focus is on improving outcomes through the implementation of appropriate interventions. Design propositions are prescriptive (Denyer et al., 2008) and are able to provide information on what to do under what circumstances to achieve what outcomes (Pilbeam et al., 2012). By this synthesis method, I explored the contexts (C) within which CPA has been investigated, the strategies/interventions (I) implemented, the firm performance outcomes (O) of those strategies, and the mechanisms (M) underlying the performance outcomes. Thereafter, I combined these four elements to derive a whole picture. I chose this explanatory and realist method of synthesis (Pilbeam et al., 2012) in order to understand how CPA strategies and outcomes vary in different contexts or circumstances, and also to understand what mechanisms impact performance. The assumption made here is that different CPA strategies may produce different outcomes in different contexts through different mechanisms. The CIMO-logic assessment of the selected papers is presented in Appendix D.

Chapter 4 Descriptive Account of Literature

In this section, I describe the characteristics of the selected articles that are reviewed. I present information on the journals in which the articles are published, as well as the rankings of those journals. Information on the years in which the articles were published, the countries and industries of focus, the methods employed, the type of strategy, the type of outcome, and the direction of outcome are also presented. This descriptive information, taken together, provides an overview of research related to the review question – what is the relationship between CPA and firm performance? All articles are peer-reviewed and scholarly, and were mainly selected from the ABI/ProQuest and EBSCO databases. Others were obtained through cross-referencing and recommendations from my supervisor.

4.1 Journal Features

The selected articles come from 37 different journals (see Table 4-1), and this to a certain extent indicates how fragmented the research on this particular review question is. These journals belong to different fields including politics, economics, finance, management, accounting, and public policy. This observation is however not surprising because CPA is a relevant phenomenon in all of the aforementioned research fields. While political scientists and public policy scholars are seeking to understand business influence on government policy, management scholars are examining the economic and financial impact of business involvement in politics. The broad range of fields covered by these journals ensures that a wide array of research areas is represented. Of all 37 journals, only six are traceable to the management field and this signals the paucity and nascence of CPA research in this domain. Finance and economics journals dominate, perhaps due to the fact that the review focuses on firm performance. The “Journal of Financial Economics” makes the most contribution to the review with four articles, followed by the “Journal of Accounting & Public Policy” and “Strategic Management Journal” with three apiece.

As per Cranfield School of Management’s journal rankings (February 2012), 11 articles come from 4* journals, 11 from 3* journals, four from 2* journals, two from 1* journals, and nine from journals that are not ranked. Obviously, my decision not to use journal ranking as a criteria has ensured that more articles are included and reviewed and this makes the findings robust.

Table 4-1 List of Journals, Frequency of Occurrence, and Ranking

Journal Name	Frequency	Journal Rank
Academy of Management Journal	2	4*
Accounting & Finance	1	2*
American Economic Review	3	4*
American Journal of Political Science	1	Not ranked
American Politics Research	1	Not ranked
Asian Economic Journal	1	Not ranked
Atlantic Economic Journal	1	Not ranked
Business & Politics	2	2*
Business & Society	2	2*
Canadian Journal of Economics	1	3*
Chinese Management Studies	1	Not ranked
Economics Letters	1	Not ranked
Economics of Transition	1	1*
Election Law Journal	1	Not ranked
European Financial Management	1	3*
European Management Review	1	1*
German Economic Review	1	Not ranked
Journal of Accounting & Economics	2	4*
Journal of Accounting & Public Policy	3	3*
Journal of Banking & Finance	2	3*
Journal of Business Ethics	1	3*
Journal of Corporate Finance	2	3*
Journal of Finance	2	4*
Journal of Financial Economics	4	4*
Journal of Financial Research	1	3*
Journal of International Money & Finance	1	3*
Journal of Labor Research	1	Not ranked
Journal of Law and Economics	2	4*
Journal of Management	1	4*
Journal of Public Administration Research and Theory	1	4*
Pacific-Basin Finance Journal	1	3*
Public Choice	2	3*
Quarterly Journal of Economics	1	4*
Review of Financial Studies	2	4*
Southern Economic Journal	1	3*
Strategic Management Journal	3	4*
Thunderbird International Business Review	1	2*

4.1.1 Article Publication Year

All reviewed articles were published within the last 25 years, with the earliest article published in 1988. This reveals that the relationship between CPA and firm performance started to receive attention in the late 1980s. However this attention declined until 1996 when research on the topic began to surge, highlighting the notion that CPA in general is an emergent and nascent field. It is within the last eight years that 42 articles which represent 75% of the total articles reviewed by this thesis were published. The year 2006 recorded the highest in the distribution with nine articles published in mostly finance and economics journals.

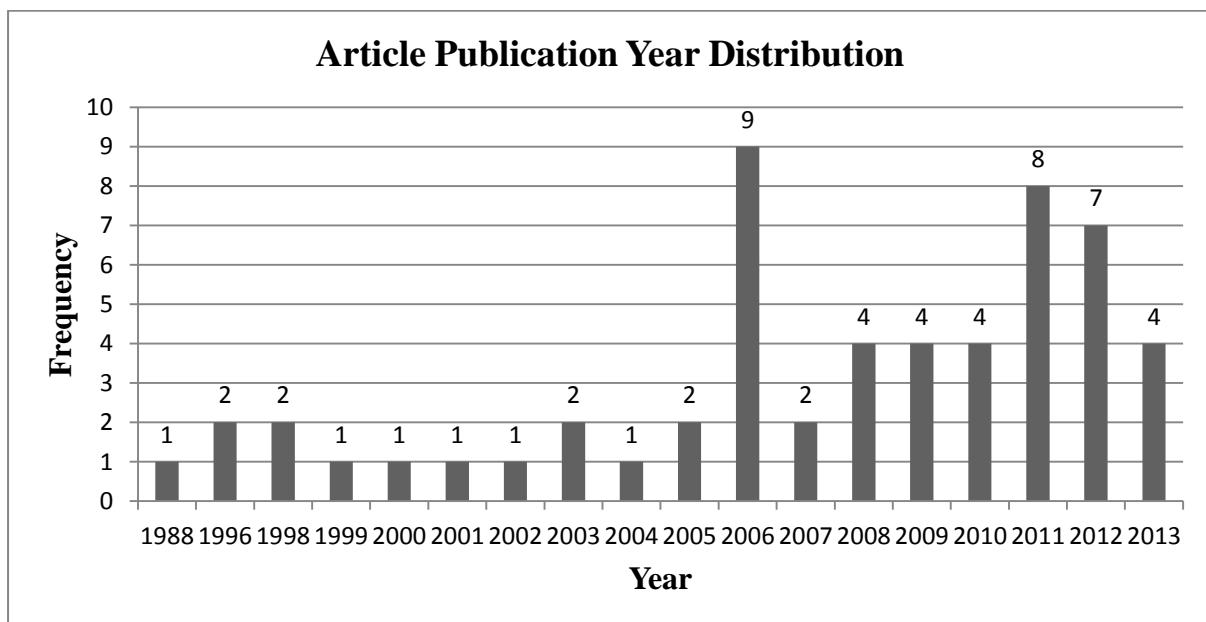


Figure 4-1 Yearly Distribution of Articles

4.1.2 Countries and Continents of Focus

There are 50 articles which focus on 10 different countries including the United States, Malaysia, China, Italy, and Germany among others (see Figure 4-2). The remaining six articles draw on data collected from multiple countries. United States dominates with 27 articles, followed by China with nine. Four continents are represented in the data, namely North America, South America, Asia, and Europe.

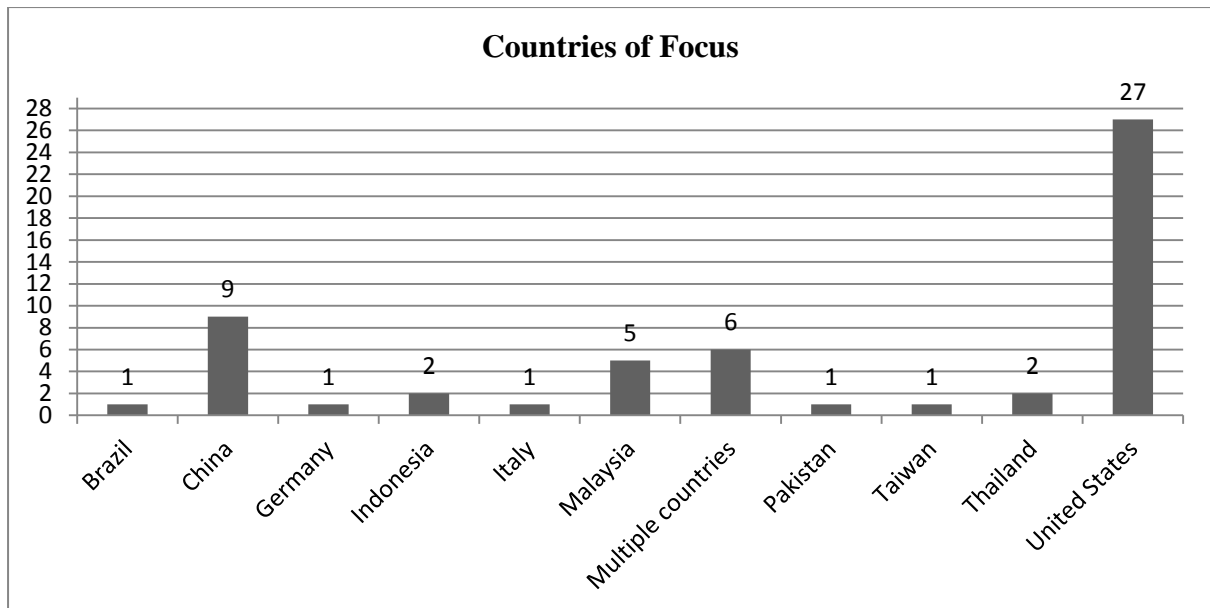


Figure 4-2 Geographic Distribution of Articles

4.1.3 Industry of Focus

Most of the articles are not focused on single or specific industries; they are based on data collected from multiple industries. There are 51 of such articles. For the remaining five articles, two are focused on the manufacturing industry, two on the financial services industry, and one on the higher education industry.

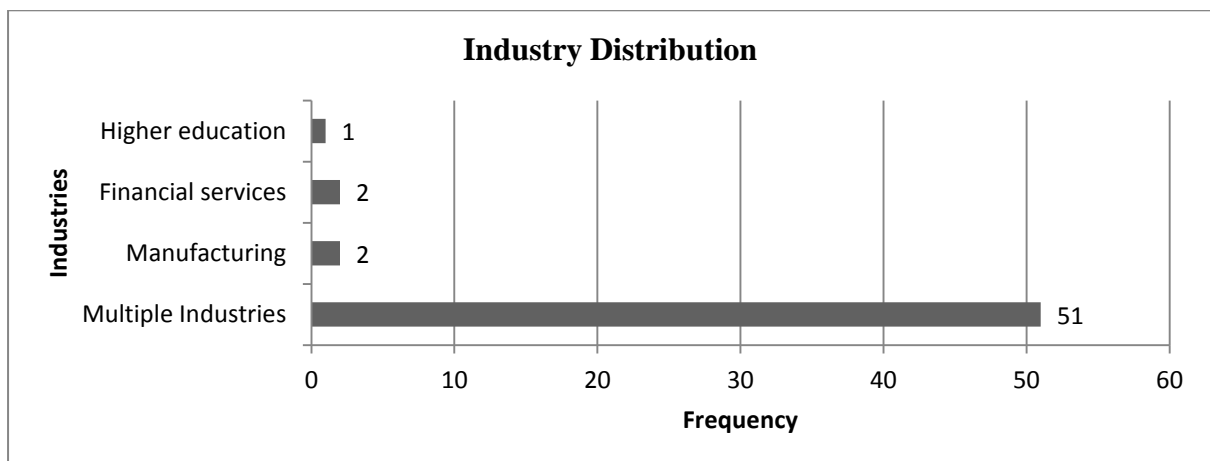


Figure 4-3 Industry Distribution of Articles

4.2 Description of Thematic Content

This sub-section delves into the contents of the articles and presents a descriptive account of four major components namely 1) methodology employed; 2) political strategy; 3) type of performance outcome; and 4) direction of the outcome.

4.2.1 Political Strategies

The political strategies investigated in the selected papers can be grouped into three categories: 1) financial; 2) relational; and 3) informational. A few articles study a mix of financial and relational strategies. The literature is replete with relational strategies, most of which are focused on Asia. Informational strategies are the least studied, and all articles focusing on them are based on United States data. Figure 4-4 shows the statistics.

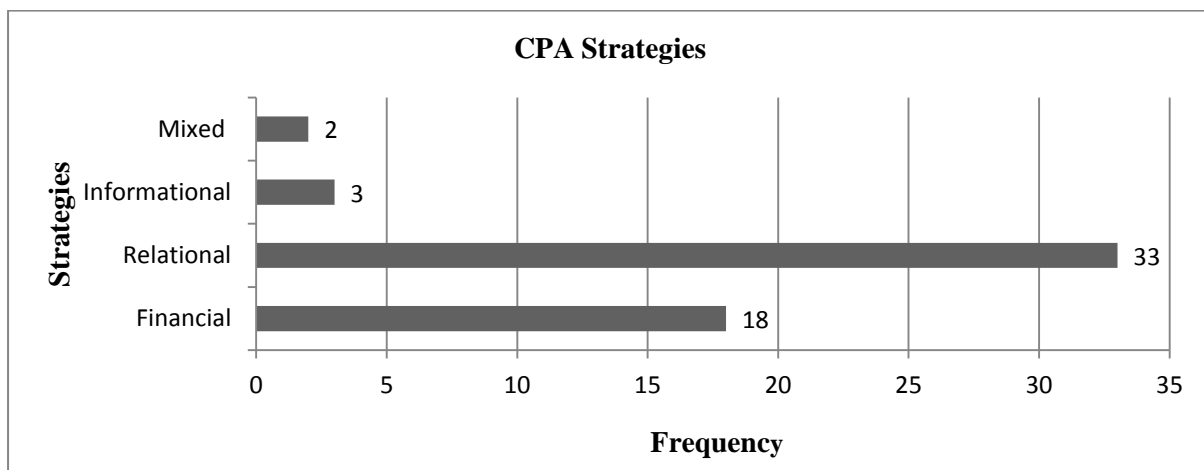


Figure 4-4 CPA Strategies

4.2.2 Methodology

From the articles, there are two popular methodologies employed to examine the relationship between CPA and firm performance. They are: 1) regression analysis, and 2) event studies. Regression analysis is employed in 37 articles, event studies in 14 articles, and a mix of both methods in five articles (see Figure 4-5). Hence, regression analysis is the most popular method for estimating the benefits of CPA. It recurs in 21 out of the 33 articles focused on relational strategy, and in 18 out of the 27 articles focused on the United States. All studies share the same philosophical stance; they relate to the positivist paradigm, adopt a realist ontology and an empiricist epistemology.

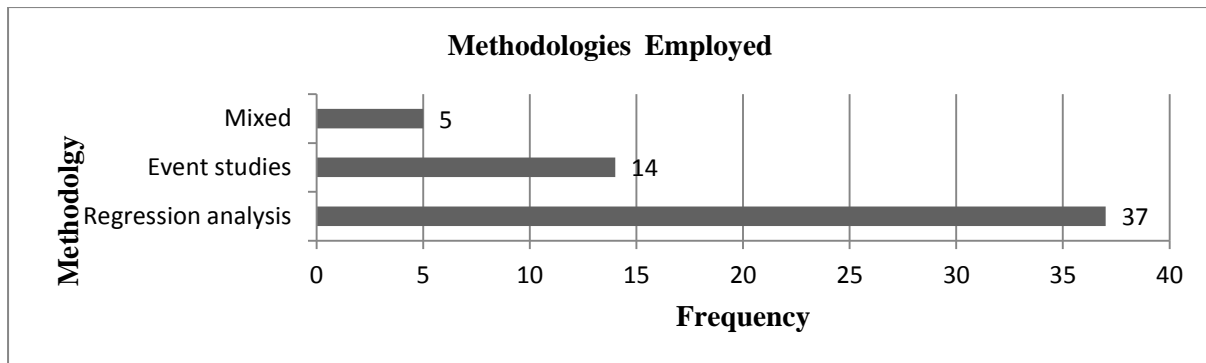


Figure 4-5 Methodologies Employed

4.2.3 Type of Firm Performance Outcomes

As shown in Figure 4-6, three main types of firm performance outcomes are examined by the selected articles: 1) stock performance; 2) operating performance; and 3) policy performance. Stock performance, commonly the estimation of cumulative abnormal returns (CARs) or Buy-and-Hold-Abnormal-Returns (BHARs), was dominant with 20 articles examining this type of performance outcome. 13 articles focused on operating performance using accounting information such as return on assets (ROA), return on equity (ROE), effective tax rates (ETR), and debt ratios. 11 articles examined policy outcomes such as legislations, bailouts, government contracts, and anti-dumping proceeds. 11 other articles focused on a mix of stock and operating performances while one article focused on a mix of policy influence and operating performance. Of the 20 articles solely measuring stock performance, 12 study relational strategies, and of the 13 solely measuring operating performance, 11 examine relational strategies.

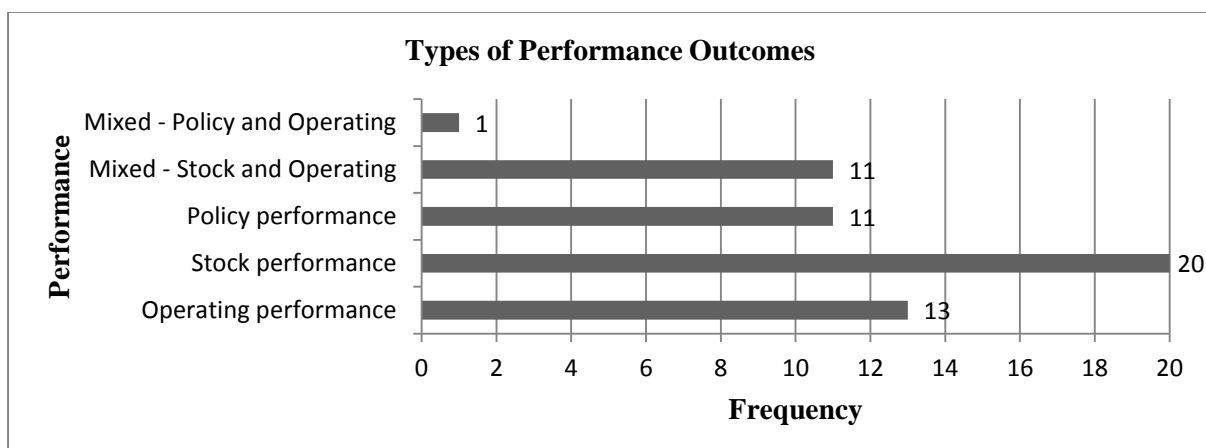


Figure 4-6 Types of Performance Outcomes

4.2.4 Direction of Firm Performance Outcomes

In terms of policy performance, 44 articles representing 78.5% of the total sample report a positive relationship. In other words, a convincing majority of studies provide evidence to suggest that CPA adds value to firms. Of these 44 articles, 25 and 15 examine relational and financial strategies respectively. 17, 11, and nine articles solely measure stock performance, operating performance, and policy performance respectively. 23 are United States based and 16 are Asia based. On the flip side, there are seven articles that claim a negative relationship between CPA and firm performance. These articles were all published between 2007 and 2013, and are mostly focused on United States, Italy, China, and Malaysia. Sitting on the fence are two United States based articles which find no impact of financial strategies on stock performance. Three articles present mixed findings when using different measures of firm performance. The statistics are presented in Figure 4-7.

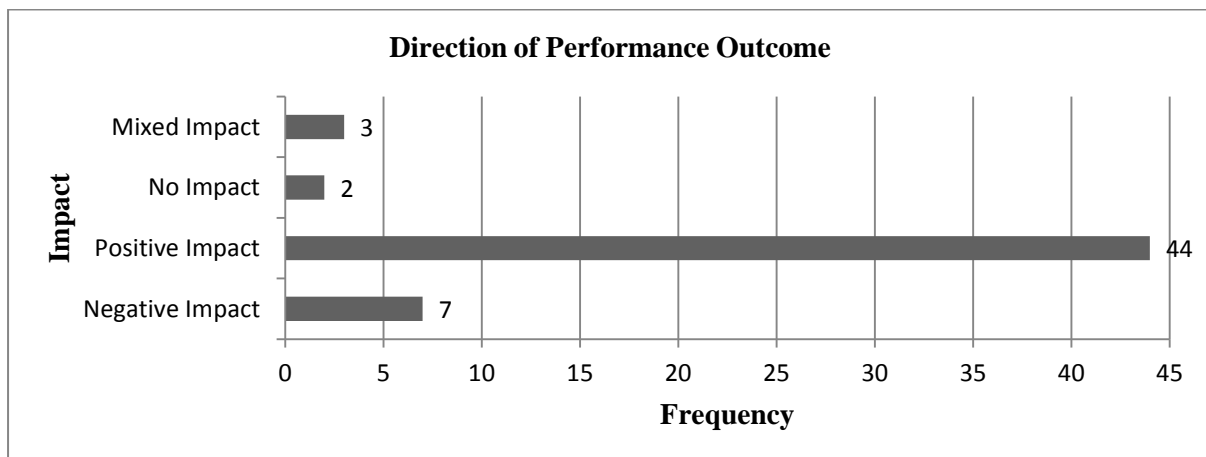


Figure 4-7 Direction of Performance Outcome

Chapter 5 Thematic Findings

In this chapter, I summarize the literature's main findings and arguments on the relationship between CPA and firm performance. These findings are presented following the CIMO-logic (Denyer et al., 2008) as applied by (Pilbeam et al., 2012). Accordingly, I first present findings on the contexts in which the CPA-firm performance relationship have been investigated. In doing this, I differentiate between geographic context and the wider institutional or nonmarket setting. Second, I address the interventions or political strategies that are used by firms. Subsequently, I present evidence on the performance outcomes of CPA. Finally, I explore the mechanisms through which CPA strategies impact performance outcomes.

Figure 5-1 presents the conceptual framework, based on the CIMO-logic, for addressing the impact of CPA on firm performance.

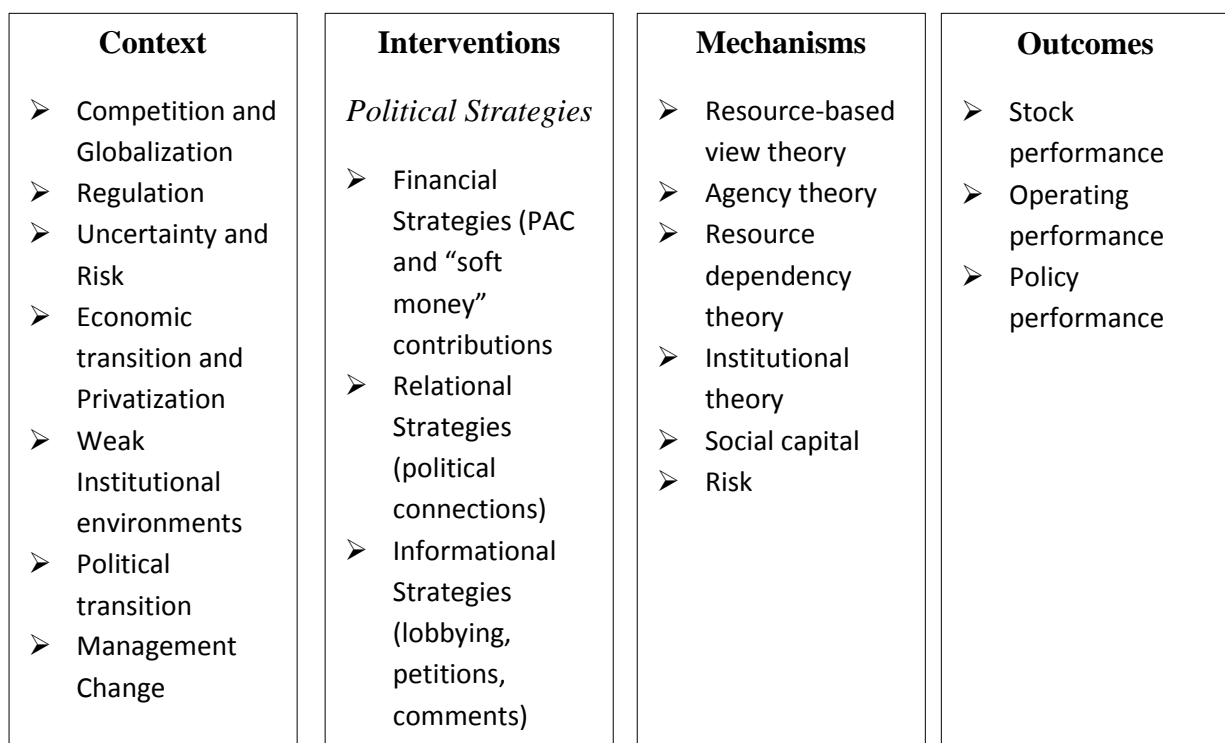


Figure 5-1 Conceptual Framework for Investigating CPA-Firm Performance Relationship

5.1 The Contexts in which CPA has been investigated

CPA has been studied in many different contexts. Majority of the studies are country-specific and they cover 10 countries in four different continents of the world (Adhikari et al., 2006; Claessens et al., 2008; Cooper et al., 2010; Fisman, 2001; Yeh et al., 2013). Other studies cover a multitude of countries (Chaney et al., 2011; Faccio, 2006). Different institutional configurations and settings motivate the relatively smaller geographical scope of CPA research. In some countries such as the United States, the availability of data on campaign contributions and “soft money” donations facilitate research. In other countries, this data is absent as there are no regulations requiring the disclosure of political spending. As common with other studies (Pilbeam et al., 2012), I find that most of the literature cover several industries. Only a few focus on specific industries such as financial services (Carretta et al., 2012; Mian et al., 2010), manufacturing (Dean et al., 1998; Lee and Baik, 2010) and higher education (De Figueiredo and Silverman, 2006). It is fair to argue that CPA is a common practice in most industries, even though its intensity is higher in highly regulated (Hansen and Mitchell, 2000) and concentrated (Grier et al., 1994) industries.

Through a process of abstraction, I discovered seven distinct categories of contextual circumstances under which CPA has been investigated. They are largely political and economic, and include the following: 1) Globalization and Competition; 2) Regulation; 3) Uncertainty and Risk; 4) Economic transition and Privatization; 5) Weak institutional development; 6) Political transition; and 7) Management change. Per the reviewed articles, the aforementioned circumstances have influenced the practice or study of CPA.

5.1.1 Globalization and Competitive

Globalization and competition are among the most cited or implied contexts in the reviewed literature. According to Hillman et al. (1999), government has the power to define opportunity sets and hence shapes firms’ competitive environments. This consequently increases firms’ involvement in policy processes in ways that advance their goals (Hillman, 2005) or stifle the competition of their rivals, especially foreign firms wanting to enter their markets (Marsh, 1998). Globalization has caused trade expansion and opened up new markets. International business firms sign investment agreements with foreign country governments in order to expand their businesses into new sovereign territories (Schuler et al., 2002a). Local firms lobby their own governments for protection from foreign competition (Lee and Baik, 2010; Evans and Sherlund, 2011). These instances raise the importance of

political activity as a conduit for competitive advantage (Boddeyn and Brewer, 1994). Firms seeking to increase their competitiveness through expansion into foreign markets stand a better chance of participating in government foreign trade missions when they make “soft money” donations (Schuler et al., 2002a). The surge in competition has caused firms to acquire political capital (Hersch et al., 2008; Sun et al., 2011), an intangible resource that has a positive long-term effect on the fortunes of firms (Hillman, 2005). It is for competitive advantage that firms expend efforts on nonmarket strategy (Baron, 1995) and CPA (Lawton et al., 2013).

5.1.2 Regulations

In attempts to gain sustained competitive advantage, firms focus efforts to influence regulations and policy (Hillman and Hitt, 1999). Indeed, policy influence runs through most of the popular definitions of CPA (Getz, 1997; Hillman et al., 2004). The regulatory context is most explored by studies examining policy performance. These studies largely examine trade policies (Schuler et al., 2002a; Steagall and Jennings, 1996), subsidies (Wu and Cheng, 2011), and legislations (McKay and Webb-Yackee, 2007; Mian et al., 2010). As noted by Liebman and Reynolds (2006), campaign contributions are able to influence legislation by increasing the likelihood that beneficiary politicians would sponsor laws favourable to their contributors. Regulation begets CPA, and this perhaps confirms the finding that highly regulated industries are more politically active (Hillman, 2005; Kim, 2008).

5.1.3 Uncertainty and Risk

Uncertainty reduction is one of the motivations for CPA (Hillman and Hitt, 1999). Typically in a given year, a large number of issues are formulated into policy and this increases uncertainty for firms, culminating in higher transaction costs (Williamson, 1985) of doing business. The dependence of firms on external parties creates risk and uncertainty which consequently affect their performance (Hillman, 2005). Access to private information and the mitigation of policy uncertainty drive political activism of firms (Hadani and Schuler, 2013). Firms that are able to get access to the political process are able to influence policy, improve their survival chances, boost their competitive advantage, and reduce uncertainty (Hillman et al., 1999). Theoretically, uncertainty is posited as a core driver of CPA. However, only a few of the reviewed articles explicitly address this context.

5.1.4 Economic Transition and Privatization

Most of the studies focusing on China studied CPA within the context of economic transition and privatization. China loosened its stance on communism and began to privatize some of her state owned enterprises (SOEs). The government also decentralized SOEs to “promote markets and to gradually phase out its central planning function” (Fan et al., 2007, p. 332). However, the Chinese government still controlled some aspects of the privatization process such as the number of companies that can go public, the number of shares that can be offered in a year, and the offer price (Francis et al., 2009). Some articles referred to this as partial privatization because the government still retained control (Fan et al., 2007; Tu et al., 2013). These controls mean that politically connected firms could benefit from government favours and preferential treatment (Sun et al., 2011), thus generating research interest in the value of political connections (Peng and Luo, 2000; Wu et al., 2012b). Typically, privatized firms are expected to be independent from government control. In instances where government does not relinquish control, conflicting objectives may arise (Boubakri et al., 2008) and the resultant agency problem (Jensen and Meckling, 1976) is expected to impact firm performance. Privatized firms are perhaps attractive to CPA researchers because of the likelihood that they would still be connected to government.

5.1.5 Weak Institutional Environments

There are 21 of the reviewed articles that focus on emerging economies including China, Malaysia, Indonesia, Brazil, Thailand, and Pakistan, and almost all of them address the weak institutional environment context. According to Peng and Luo (2000) who examined the impact of managerial ties on firm performance, most of the CPA research has taken place in western countries, but emerging markets have a fascinating context where social capital will more likely compensate for the lack of market supporting institutions. Social capital through informal ties with politicians results in political favouritism (Bliss and Gul, 2012) and cronyism (Johnson and Mitton, 2003). The absence of strong institutions creates what some researchers call “relationship-based capitalism” (Fraser et al., 2006; Adhikari et al., 2006; Sun et al., 2011; Bliss and Gul, 2012) where personal connections and relations influence policy and determine the market environment. Other studies (Goldman et al., 2009) argue that in well-functioning legal systems, economic gains are not expected to accrue to politically connected firms because politicians could face legal and political costs if they favour firms for private reasons than for public merit. Obviously, institutions affect the behaviour of actors

in the policy process (Barron, 2011) and influence the magnitude of benefits from CPA (Faccio, 2006). Government control of China's securities market presents distinctive institutional features that affect the performance of firms (Francis et al., 2009). Anti-corruption reforms by the Malaysian government transformed the institutional environment and inspired a study of whether private gains continued to exist through political connections (Imai, 2006). Weak systems of check and balance are institutional voids that allow politicians and firms to extract economic rents and encourage business owners to enter politics for private gains (Bunkanwanicha and Wiwattanakantang, 2009). Some of the studies examined CPA in high corruption contexts where "social lending" (Khwaja and Mian, 2005) or "memo-lending" (Leuz and Oberholzer-Gee, 2006) are prevalent. Among a host of reasons, Claessens et al. (2008) found Brazil an interesting context to examine CPA due to its limited level of institutional development.

It is worth mentioning that the institutional context affects the type of CPA data collected. In countries where laws regulate CPA, data is relatively easier to collect. For instance, the availability of campaign finance data in the US facilitates CPA research. Similarly, Claessens et al. (2008) are able to investigate CPA in Brazil because Brazilian laws mandate that campaign contributions are recorded. Holistically, studies addressing the institutional context of CPA touch on the many facets of the topic including how institutions shape the nature of political activity (Hillman and Keim, 1995; Hillman and Hitt, 1999; Barron, 2011) and firm performance outcomes (Faccio, 2006; Kim, 2008). The search for new evidence and the eagerness for theory development and elaboration makes researchers adopt the institutional context where the emphasis is on developing and emerging economies. According to Doh et al. (2012), institutional perspectives will have more relevance for CPA research due to the importance of emergent economies for international business firms.

5.1.6 Political Transition

The change or transition of political power from one administration to the other has received some attention in the CPA literature. Three of the selected articles examined power change in the United States and Taiwan. These studies measured the impact of transitions on the value of politically connected firms. Brown (1996) studied the assassination of President Kennedy while Jayachandran (2006) examined the value implications of Senator Jim Jefford's switch from the Republican Party to the Democratic Party. Yeh et al. (2013), who consider Taiwan's 2000 and 2004 elections as external shocks, investigated the outcomes of the elections on the

performance of connected firms. Generally, these studies dwell on political shifts and how the “change of guard” affects the fortunes of firms. The sudden death of politicians (Roberts, 1990; Faccio and Parsley, 2009) or bad news about the health of politicians (Fisman, 2001) reveals the sensitivity of firm value to political ties.

5.1.7 Management Change

Only one article (McGuire et al., 1988) studied CPA in the context of Management change. Management changes may trigger stock market reactions (Worrell and Davidson III, 1987), but these reactions vary depending on the intended destinations of outgoing managers. The appointment of top executives to political positions would elicit a stock market response different from the appointment of top executives to other positions that are not political (McGuire et al., 1988). Getz (1993) argues that the appointment of executives to political service may confer political benefits on firms. While McGuire et al.’s (1988) study may strike a similarity with Hillman et al.’s (1999) “personal service” and Bunkanwanicha and Wiwattanakantang’s (2009) study, its context is distinct because it compares the value implications of political changes and non-political changes.

As shown in Figure 5-2, these contexts are more prevalent in some countries than in others. Articles that are set within weak institutional environments, economic transition and privatization contexts are mostly focused on emerging and developing countries. Globalization, competition, and regulation are popular contexts in developed or industrialized countries. Political transition is common between both worlds.

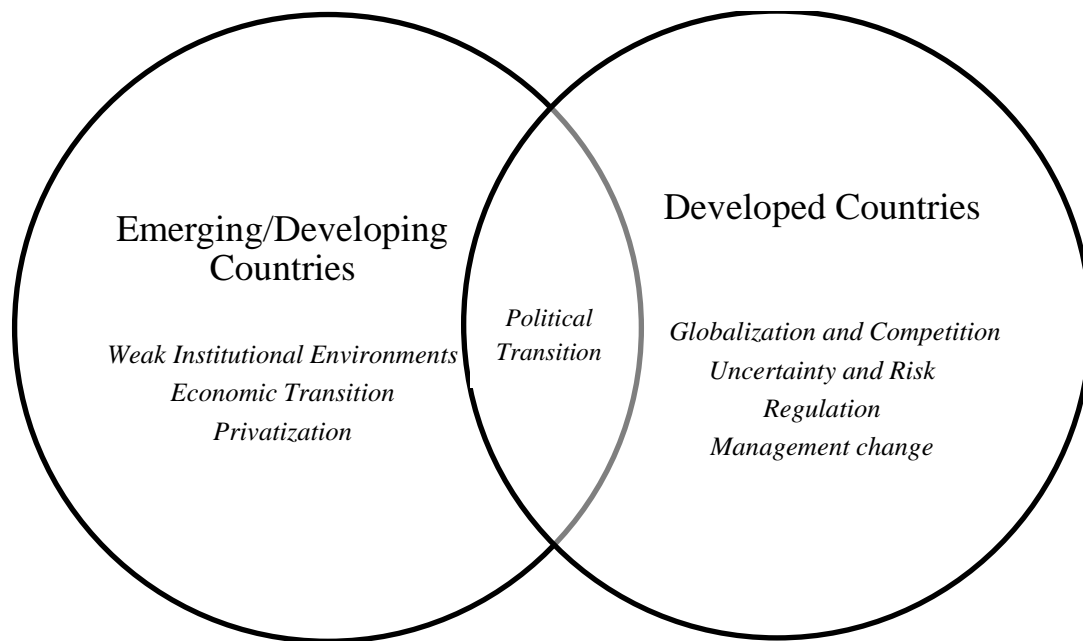


Figure 5-2 Geography and Contexts of CPA Research

5.2 Political Strategies used as Interventions in CPA

The strategic interventions used by firms to influence their policy environments and sustain competitive advantage can be grouped into three broad categories: 1) financial strategies; 2) relational strategies; and 3) informational strategies (Figure 5-1). These strategies are applied in the above-discussed contexts for the sole purpose of shaping the competitive space and improving firm performance (Hillman et al., 1999).

5.2.1 Financial Strategies

The financial strategies mostly studied in CPA include political action committee (PAC) and “soft money” contributions. They are meant to provide financial incentives to politicians (Hillman and Hitt, 1999) and enable firms to gain access to decision makers (Witko, 2011). While it may seem that PAC contributions and “soft money” mean the same thing, the two are technically different (Ansolabehere et al., 2004). Soft money contributions are non-candidate specific donations from individuals, corporations and special interest groups to political parties (Cooper et al., 2010). They are for broad party building purposes and not for the promotion of specific candidates (Schuler et al., 2002a). As noted by Hersch et al. (2008), while PAC contributions are made to specific candidates, “soft money” contributions are made to political parties. “Soft money” contributions are advantageous because they are not highly regulated or restricted, have no caps (Schuler et al., 2002a), and can be targeted at the

executive branch where key policy decisions are evolved. “Soft money” contributions were used by firms until the 2000s when it became illegal to make such donations (Hadani and Schuler, 2013). Hence, most of the literature on financial strategies examine PAC contributions, which unlike “soft money”, are highly regulated and capped (Schuler et al., 2002a). While most studies fail to make the distinction between the two types of contributions, a few do. For instance, Hadani and Schuler (2013) collectively term both contributions “corporate political investments”. Schuler et al. (2002a), on the other hand, makes a rare distinction between them. Other studies (Kim, 2008; Hadani and Schuler, 2013) examined lobbying expenditures which are also technically different from PAC and “soft money” contributions. There are 18 studies that solely examine financial strategies, mostly PAC contributions.

5.2.2 Relational Strategies

This is perhaps the most complex and subjective of all political strategies in the reviewed literature. Generally, this strategy is about firms establishing relationships with politicians mostly through co-opting them into corporate boards (Hillman, 2005; Goldman et al., 2009; Carretta et al., 2012; Hadani and Schuler, 2013), through business executives and top shareholders entering politics (McGuire et al., 1988; Hillman et al., 1999; Kim, 2008), or through informal relations (Adhikari et al., 2006; Fraser et al., 2006). The common construct used here is “political connections” or “politically connected firms” which is defined differently by different authors. Table 5-1 presents a summary of some key definitions of political connectedness in the literature. It can be seen that there is subjectivity in the definition of the construct “political connections”. While some studies (Faccio et al., 2006; Chaney et al., 2011) cast a wider net through broad framing of the construct, others adopt a narrow focus (Adhikari et al., 2006; Hassan et al., 2012). The broader definitions are able to capture data at all levels of the political echelon, but only when such data is obtainable. There is difficulty in collecting data about firms’ political connectedness because this information is private, protected and hardly available to the public (Hassan et al., 2012). Relational strategies have a significant bearing on corporate governance, especially on top management teams.

Table 5-1 Definitions of Political Connections

Study	Definition of Political Connection
Adhikari et al. (2006)	"a firm's directors or major shareholders have informal ties with leading politicians through personal encounters"
Boubakri et al. (2012)	"a company is politically-connected if at least one member of its board of directors (BOD) or its supervisory board is or was a politician, that is, a member of parliament, a minister or any other top appointed-bureaucrat"
Chaney et al. (2011)	"A company is classified as politically connected if, at some point between 1997 and 2001, at least one of its large shareholders (anybody directly or indirectly controlling at least 10% of votes) or top directors (CEO, chairman of the board, president, vice-president, or secretary) is a member of parliament, a minister or a head of state, or is tightly related to a politician or party."
Faccio et al. (2006)	"a company is defined as politically connected if at least one of its top officers (defined as the company's chief executive officer, chairman of the board (COB), president, vice-president, or secretary of the board) or a large shareholder (defined as anyone controlling at least 10% of the company's voting shares) was head of state (i.e., president, king, or prime minister), a government minister (as defined below), or a member of the national parliament, as of the beginning of 1997."
Faccio (2006)	"a company is connected with a politician if one of the company's large shareholders or top officers is: (a) a member of parliament (MP), (b) a minister or the head of state, or (c) closely related to a top official."
Hassan et al. (2012)	Firms linked to the prime minister and deputy prime minister
Sun et al. (2011)	Firms with "ownership ties to the Shanghai government and board members with career experience in municipal government"
Wu et al. (2012)	"We define a CEO as politically connected if he or she is currently serving or formerly served in the government or military."
Yeh (2013)	"(1) the firm was founded or run by the political party; (2) the political party is one of the firm's large shareholders; (3) the chairman or CEO publicly supports the presidential candidate representing a certain political party, participates in or has his/her employees participate in the presidential campaign or was described by at least one major newspaper as being supportive of a certain political party; and (4) one of the firm's large shareholders, directors or top officers is/was a member of parliament, a minister or a top government official"

Political connections are a valuable resource (Leuz and Oberholzer-Gee, 2006; Faccio, 2006; Niessen and Ruenzi, 2010) which reduce uncertainty (Hillman et al., 1999) and allow firms to gain private information about policy (Hadani and Schuler, 2013). These benefits, among others, confer a competitive advantage on connected firms over their unconnected peers through the process of rent extraction from government (Hassan et al., 2012). Relational strategies are the most studied in the reviewed literature; 33 out of 56 articles solely focus on

these strategies. Perhaps, their dominance in the CPA field is attributed to their prevalence in most parts of the world.

5.2.3 Informational Strategies

Before laws and regulations are passed and implemented, they are first drafted into proposals for approval. At this stage, firms and other interest groups are able to make inputs by providing specific information about policy preferences to decision makers (Hillman and Hitt, 1999). According to McKay and Webb-Yackee (2007), competing interests battle it out to influence policy decisions and agency actions, particularly to instigate the imposition of trade barriers and trade protection from foreign competition (Marsh, 1998). Informational strategies include lobbying (Hillman and Hitt, 1999; De Figueiredo and Tiller, 2001; Lo, 2003), petitions (Marsh, 1998) and comments (McKay and Webb-Yackee, 2007). From the reviewed articles, these strategies are not targeted at politicians, but at government agencies where key policy issues are initiated and drafted into proposals for parliamentary and executive approval. Information strategies are the least investigated CPA strategies/interventions.

5.3 Firm Performance Outcomes of CPA

There are three distinct categories of firm performance outcomes as shown in Figure 5-1. Stock market performance entails the measurement of cumulative abnormal returns (CARs) and Buy-and-Hold abnormal returns (BHARS). The popular methodology used to measure this type of firm performance is event study (Brown and Warner, 1980). With this method, the reaction of stock markets to political events relating to firms is investigated, and such events include the appointment of politicians to corporate boards (Hillman, 2005; Goldman et al., 2009; Carretta et al., 2012; Hadani and Schuler, 2013), the sudden death of politicians (Brown, 1996) and the transition of political power (Jayachandran, 2006; Yeh et al., 2013). Other stock market performance variables include Tobin q (Wu et al., 2012a) and cost of equity (Boubakri et al., 2012b). Key to event study methodology is the assumption that capital markets are efficient (Brown and Warner, 1980). This assumption cannot be met in under-developed capital markets, hence the few studies applying this method in investigating political connections in Asia.

Operating performance draws on accounting data contained in annual reports. While variables and ratios such as return on sales (ROS) (Fan et al., 2007; Hadani and Schuler,

2013), return on investment (ROI) (Niessen and Ruenzi, 2010; Mathur and Singh, 2011), effective tax rates (ETR) (Adhikari et al., 2006; Richter et al., 2009), cost of debt (Bliss and Gul, 2012), leverage (Khwaja and Mian, 2005; Fraser et al., 2006), accruals quality (Chaney et al., 2011), and interest revenues (Carretta et al., 2012) have been used to measure operating performance, the popular variables include return on assets (ROA) and return on equity (ROE). Operating performance variables are “backward looking” and hardly capture intangible political capital (Hillman, 2005). Hence, they could be misleading.

As common with previous reviews (Hillman et al., 2004; Lux et al., 2011), the impact of interest groups and firms on policy is another outcome of CPA. However policy performance, which measures the performance of firms in the policy arena, is the least studied of all the outcomes in the literature. Articles examining this type of outcome either study the voting patterns of politicians (Liebman and Reynolds, 2006), the difference between proposed and adopted agency rules (McKay and Webb-Yackee, 2007), government bailouts (Faccio et al., 2006) or the outcomes of petitions (Marsh, 1998; Lee and Baik, 2010). Some of the studies (Wu et al., 2012b) report multiple outcomes. Operating and policy performances are measured largely through regression analysis.

Table 5-2 summarizes the key constructs and variables that have been used to measure performance in the literature.

Table 5-2 Performance Outcome Constructs and Variables

Outcome Construct	Variable(s)	Key Studies
Access to finance	leverage, interest rates	Claessens et al. (2008); Yeh et al. (2012); Leuz and Oberholzer-Gee (2006)
Trade expansion	Sales	Lu (2011)
Operating performance	ROA, ROE, ROI, ETR, interest revenues, debt maturity, acquisition premium, interest rates	Peng and Luo (2000); Bliss and Gul (2012); Richter et al. (2009); Mathur and Singh (2011)
Stock performance	CARs, BHARs, Cost of equity	Hillman (2005); Cooper et al. (2010); Boubakri et al. (2012b); Goldman et al. (2010); Hadani and Schuler (2013)
	Government contracts	Witko (2011)
	Anti-dumping proceeds	Lee and Baik (2010)
	Trade mission participation	Schuler et al. (2002a)
	Roll call voting	Liebman and Reynolds (2006); McKay and Webb-Yackee (2007)
	Government bailout	Faccio et al. (2006)
	Academic earmarks	De Figueiredo and Silverman (2006)

5.3.1 Positive Performance Outcomes

The reviewed literature suggests that there is a positive relationship between CPA and firm performance. 44 of the 56 studies provide evidence to show that CPA adds value to the firm. In Malaysia, Adhikari et al. (2006) found that politically connected firms pay lower effective taxes than nonconnected firms. This finding is consistent with Richter et al. (2009) who reported that in the United States, firms that lobby more in a given year pay lower effective tax rates in the next year. Wu et al. (2012b) also reported similar evidence for China where firms with politically connected managers pay lower tax rates. Politically connected firms have easier and preferential access to financing (Leuz and Oberholzer-Gee, 2006; Fraser et al., 2006; Claessens et al., 2008; Boubakri et al., 2012a; Hassan et al., 2012), are highly leveraged (Fraser et al., 2006), and have longer debt maturities (Boubakri et al., 2012a). Political connections are reported to facilitate trade expansion (Lu, 2011), increase the likelihood of government bailout (Faccio et al., 2006) and allow firms to pay relatively lower premiums for privatization targets (Tu et al., 2013). Campaign contributions are found to increase the number of government contracts received (Witko, 2011), the likelihood to participate in foreign trade missions (Schuler et al., 2002a) and the likelihood of legislators to support favourable laws (Liebman and Reynolds, 2006). Lobbying is associated with higher academic earmarks (De Figueiredo and Silverman, 2006), antidumping regulations and increased market value of firms (Marsh, 1998). Comments and petitions shift policy towards the preferred position of the firm (McKay and Webb-Yackee, 2007). The appointment of politicians to corporate boards triggers positive stock market reactions (Hillman, 2005). Similarly, Cooper et al. (2010) found that campaign contributions are positively and significantly related to future abnormal returns. Peng and Luo (2000) and Imai (2006) posit that political connections are positively related to ROA. Most of the studies claim a positive relationship between CPA and operating performance.

5.3.2 Negative Performance Outcomes

While majority of the literature found a positive CPA-firm performance relationship, there are seven studies which report evidence to the contrary. Using United States data, Aggarwal et al. (2011) found that “soft money” donations are negatively correlated with returns. They also found that donating firms acquire more and record lower abnormal returns on acquisition announcements. Similarly, Hadani and Schuler (2013) provided evidence to suggest that CPA has a negative impact on market value. Politically connected firms record poor accounting

performance after privatization (Boubakri et al., 2008) and after initial public offerings (Fan et al., 2007). Connected firms also have poor accruals quality (Chaney et al., 2011) and are charged higher interest rates on loans (Bliss and Gul, 2012). Moreover, politicians on boards of Italian banks exert a negative impact on interest revenues, loan quality, and capitalization level (Carretta et al., 2012).

5.3.3 No Impact and Mixed Outcomes

Two studies do not find any significant relationship between CPA and firm performance. Ansolabehere et al. (2004) found no benefits from campaign donations while Hersch et al. (2008) argue that campaign contributions do not create any financial capital. Three studies measured multiple outcomes and reported mixed outcomes. According to Faccio et al. (2006), while politically connected firms are able to influence bailout policies to favour them, they record poor operating performance. Similarly, Tu et al. (2013) reported that while connected firms pay lower premium for quality firms during privatization, they record lower operating and stock performance in the post privatization period.

In summary, empirical evidence suggests that CPA is positively related to firm performance. However, the few studies reporting contrary evidence seem to cast a doubt on this stance. As argued by Hadani and Schuler (2013) and suggested by Lux et al. (2011), the evidence is not complete and further studies are required.

5.4 Theoretical Mechanisms Underpinning the CPA-Firm Performance Relationship

Five theoretical mechanisms through which CPA impacts firm performance are identified in the literature. They include resource-based view (RBV) (Barney, 1991), agency (Jensen and Meckling, 1976), resource dependency (Pfeffer and Salancik, 1978), institutional (Scott, 2005) and social capital theories. Some of these mechanisms are explicitly cited while others are implied from the arguments put forward by the studies. These mechanisms are presented in Figure 5-1.

Social capital is the most frequently used theoretical lens for explaining the outcomes of CPA, though it is mostly implied. The establishment of political connections enables firms to build social capital which enables them to extract rent from government. These rents are in the form of preferential access to finance (Claessens et al., 2008; Yeh et al., 2013) or

government contracts (Witko, 2011). Social or political capital is more pronounced in relationship-based capitalisms (Adhikari et al., 2006; Fraser et al., 2006; Bliss and Gul, 2012) where favouritism and cronyism (Johnson and Mitton, 2003) abound. Personal level political capital adds value to firms (Sun et al., 2011) and informal connections allow government to confer private benefits on firms (Fraser et al., 2006). Campaign contributions also build social capital and facilitate access to politicians (Kim, 2008; Witko, 2011). Drawing on RBV, some studies argue that the co-optation of directors into corporate boards adds to the resource base of firms (Hillman, 2005) and this allows them to exploit their policy environments (Niessen and Ruenzi, 2010).

While social capital and RBV theories are mostly associated with the positive outcomes of CPA, agency theory is applied to explicate both positive and negative outcomes. For instance, Hadani and Schuler (2013) argue that because firms are not required to disclose political spending, information asymmetry occurs between managers and shareholders and this leads to negative firm performance. They also posit that managers could pursue CPA for self-aggrandizement. Clearly, this represents a misalignment of interests between managers and shareholders. Political connections may create an agency problem where politicians use firms to pursue political and social goals to the detriment of shareholder value (Fan et al., 2007; Wu et al., 2012a). Political spending may also be unprofitable investments which add no value to the firm (Ansolabehere et al., 2004; Hersch et al., 2008). On the flipside, Jayachandran (2006) suggests that firms target their contributions towards politicians with interests aligned to theirs. This ensures that when elected, the politician invariably pursues the interests of the firm. In federal agency rule making, firms comment and petition so as to make their policy preferences known to regulators and policymakers, and in order to avoid litigations agencies align their interests with those of the majority commenters (McKay and Webb-Yackee, 2007). Politicians on corporate boards may extract rent from firms (Carretta et al., 2012) or extend government rents to firms (Hillman, 2005). The entry of business executives into politics is motivated by several reasons which include the alignment of interests and rent extraction (Bunkanwanicha and Wiwattanakantang, 2009).

Majority of the studies in emerging and transition economies point to cronyism and favouritism (Johnson and Mitton, 2003) and corruption (Khwaja and Mian, 2005) as mechanisms through which political connections affect firm performance. Faccio et al. (2006) found that the value of political ties is higher in corrupt countries. Similarly, Fisman (2001) argue that corruption influences the size of political rents. Poor institutional

development results in weak systems of checks and balances (Bunkanwanicha and Wiwattanakantang, 2009) and the prevalence of relationship-based capital systems (Fraser et al., 2006) which allow for private benefits to be obtained. In China where the government controls many aspects of the stock market (Francis et al., 2009) and allocates resources (Peng and Luo, 2000), there is incentive for preferential treatment to be accorded to politically connected firms (Wu et al., 2012b; Yeh et al., 2013). Institutional theory thus underlies most of the CPA studies in developing countries.

Resource dependency posits that firms co-opt external dependencies in order to reduce uncertainty (Hillman, 2005). However, the resource dependence logic adopted by the literature to explain the mechanism through which CPA impacts performance includes another element. Here, the focus is on coercion or the yielding of other market actors to the demands of politically connected firms. The dependence of other market actors on government makes them yield to political pressures and extend favourable treatment to politically connected firms (Faccio et al., 2006). In a study of Pakistani banks, Khwaja and Mian (2005) argue that politicians are able to threaten bank officials with transfers, removals, or promotions if they do not yield to their demands. This institutional lapse coupled with corruption makes politically connected firms have their way with regards to preferential lending (Claessens et al., 2008) and low or no collaterals on lending (Yeh et al., 2013). Interestingly, while risk and uncertainty are contexts within which CPA is examined, they are also a mechanism that determines CPA outcomes. Bliss and Gul (2012) argue that politically connected firms are charged higher interest rates due to their perceived riskiness. This finding is corroborated by Fraser et al. (2006) and Claessens et al. (2008) who found that connected firms carry more debt. High leverage increases financial distress and the risk of bankruptcy, hence higher interest rates on loans (Bliss and Gul, 2012).

Table 5-3 Summary of Theoretical Mechanisms

Theory	Explanation of Mechanism
Resourced based view theory	Changes in resources and dynamic capabilities
Agency theory	Mis/alignment of business and political interests; mis/alignment of managerial and shareholder interests; un/profitable investments; managerial self-aggrandizement
Resource dependency theory	Co-optation of external dependencies; yielding to the pressures of dependencies
Institutional theory	Corruption & cronyism; changes to institutional barriers
Social capital/network theory	Preferential treatment; influence, and access to government

5.5 Summary

This sub-section provides a summative account of the findings presented above. CPA has been studied in seven contexts namely: competition and globalization; regulation; uncertainty and risk; economic transition and privatization; weak institutional environments; political transition; and management change. The studies cover a number of countries but mainly in the United States, China, and Malaysia. Within these contexts, three categories of interventions or political strategies are used to influence the policy and nonmarket environments. They are financial; relational; and informational strategies. These strategies are implemented to shape the competitive space and add value to firms. However, the results suggest that these strategies do not always deliver value. While majority of the studies found that CPA is positively related with different variables of firm performance, a few found no significant relationship or a negative relationship. Performance outcomes are measured in three different ways. First is stock performance which examines market value. Second is operating performance which considers accounting information. The third, policy performance, explores the extent to which firms are able to influence policy. The literature suggests five main theoretical mechanisms that underpin the CPA-firm performance relationship. RBV, agency, resource dependency, institutional and social capital theories have been explicitly or implicitly used to explicate the ways through which CPA impacts performance. Of all these mechanisms, social capital is the most cited/implied.

Chapter 6 Synthesis of Thematic Findings

After having presented the findings of this review according to the CIMO-logic (Denyer et al., 2008), I now synthesize these findings to evolve a coherent understanding of the relationship between CPA and firm performance. The foremost argument that can be drawn from the literature is that CPA adds value to firms. It improves stock and operating performance (Claessens et al., 2008) and influences policy outcomes (McKay and Webb-Yackee, 2007).

6.1 The Impact of Context on Intervention/Political Strategy Selection

Indeed, the context within which CPA is done or investigated seems to have an impact on the choice of strategy. First, financial strategies involving PAC and “soft money” contributions are dominant in the United States. Only a few countries in the world have laws which require that information on donations to political parties and candidates are made public (Claessens et al., 2008). All the studies that investigate financial strategies are based on United States data with the exception of one (Claessens et al., 2008) which is focused on campaign contributions in Brazil. It needs mentioning that Brazil is one of those few countries that have laws governing campaign finance. This observation does not only strike an accord with geographical contexts, but relates strongly to the weak institutional environment context as well. In countries with strong legal systems where laws are enacted to guide and control political activism which includes corporate political donations, it is relatively easier to observe and gather information on campaign contributions. Similarly, in countries where there are laws that govern the rulemaking process, it is easier to investigate information strategies. As noted by McKay and Webb-Yackee (2007) for the United States, the Administrative Procedure Act of 1946 requires all agencies to publicly publish proposed rules and solicit comments from the public before adopting them. This “notice and comment” window (McKay and Webb-Yackee, 2007) provides opportunity for firms to influence the final rules (Lo, 2003). On the flip side, there are hardly any of such regulations in countries with weak legal systems and this makes it difficult or impossible for firms to use or for researchers to study informational strategies in those contexts. It is therefore plausible to argue that financial and informational strategies are impacted by the level of institutional development and national regulation.

Relational strategies are studied in many different geographical contexts, from developing to developed countries, emerging to industrialized countries, and capitalist to transition economies. Whilst these strategies are common across the globe, they are more prevalent in emerging countries where institutional development is weak and fragile (Wu and Cheng, 2011). The ease with which rents can be extracted from political patronage in emerging countries encourages business owners to enter politics or firms to connect with politicians for private benefits (Imai, 2006; Fraser et al., 2006; Bunkanwanicha and Wiwattanakantang, 2009; Hassan et al., 2012). Wu and Cheng (2011) argue that political connections play a much more important role in emerging markets than in developed markets due to the existence of institutional voids (Khanna and Palepu, 2000) in the former. In China which is an emerging and transition country, the government plays an important role in resource allocation (Peng and Luo, 2000). Owing to the enormous influence of central governments and their unpredictability, firms establish relationships to manage the risk (Hillman et al., 1999) and to gain access to government controlled resources (Wu and Cheng, 2011). The literature also cites that political connections, formal and informal, are more prevalent in “relationship-based capitalisms” (Fraser et al., 2006) where cronyism and personal relationships determine the allocation of capital resources (Johnson and Mitton, 2003). Malaysia (Adhikari et al., 2006; Bliss and Gul, 2012) and China (Sun et al., 2011) are the commonly tagged relationship-based economies.

Competition and globalization are the contexts that do not seem to impact particular strategies but all of them. The search for superior and sustainable competitive advantage that will improve the value of firms drives managers into CPA (Hillman et al., 1999). Influencing the nonmarket shapes the competitive environment (Lawton et al., 2013) and improves the overall performance of firms (Baron, 1999). Political strategies are alternatives. Depending on the context and appropriateness, individual or multiple strategies are implemented (Schuler et al., 2002b). Hence it difficult to determine what specific strategies are used in highly competitive contexts. Perhaps, future scholarship could explore this. As shown in Figure 6-1, competition and globalization are the overarching contexts of CPA. Some strategies are common in some contexts and this signals the existence of contextual impact on choice of political strategy.

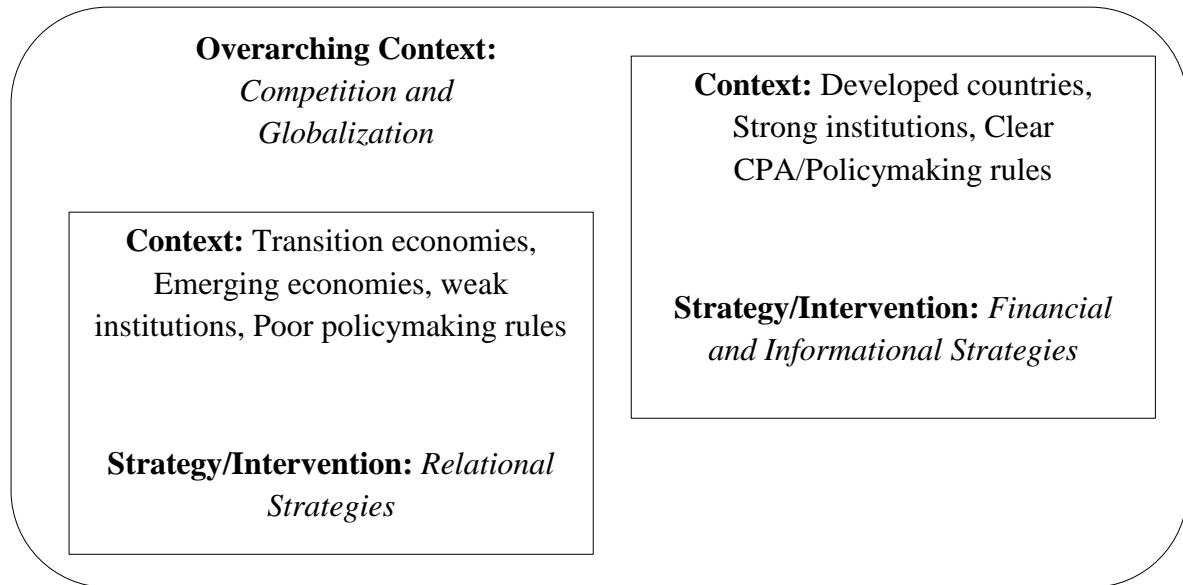


Figure 6-1 Impact of Context on Strategy Selection

6.2 The Impact of Context on Performance Outcomes

From the literature, there seems to be a connection between context and firm performance outcomes. 21 of the 56 studies are focused on CPA in Asia and South America. Majority of these studies argue that CPA improves firm performance. However, two studies (Fan et al., 2007; Bliss and Gul, 2012) reported a negative impact of CPA on performance in Malaysia and China. Similarly two studies (Aggarwal et al., 2011; Hadani and Schuler, 2013) reported negative outcomes of CPA in the United States. Two other studies (Ansolabehere et al., 2004; Hersch et al., 2008) found no significant impact. The only study focused on Italy found that political connections have a negative impact on bank performance (Carretta et al., 2012). In Brazil however, Claessens et al. (2008) found that campaign contributions positively impact stock and operating performances. The mixed findings across different countries suggest that institutional characteristics could have a bearing on CPA outcomes. Figure 6-2 shows the continental distribution of the reviewed literature, and the performance outcome directions (+ for positive; - for negative; O for no impact).



Figure 6-2 Geographical Distribution of Performance Outcome Directions

6.3 Intervention and Performance Outcomes

Financial strategies are associated with mixed outcomes, even though majority of the studies examining these strategies found a positive relationship between CPA and performance. Two studies (Aggarwal et al., 2011; Hadani and Schuler, 2013) and another (Hersch et al., 2008) provide evidence to respectively suggest a negative and a no significant impact of financial strategies on stock and operating performances. Most of the financial strategies measure policy and stock performances. In contrast, majority of studies investigating relational strategies measure operating and stock performances. They also report a positive CPA-firm performance relationship except for a few (Boubakri et al., 2008; Chaney et al., 2011; Bliss and Gul, 2012; Carretta et al., 2012) who reported negative outcomes. The only strategy that has a unanimous positive relationship with performance outcomes is informational strategy. It can thus be argued that firms should exert more effort in the policy arena where the chances of success are high. In Table 6-1, I summarize the dominant performance outcome types and dominant performance outcome directions for each of the three CPA strategies.

Table 6-1 Intervention-Performance Outcomes

Strategy	Dominant Outcome Type	Dominant Outcome Direction
Financial	Policy Influence	Positive
Relational	Operating performance	Positive
Informational	Stock performance	Positive

6.4 Outcome Type and Outcome Direction

Mixed findings are found for operating and stock performances, though the outcomes are largely positive. Operating performance records the most negative outcomes. Studies found that politically connected firms are charged higher interest rates on loans (Bliss and Gul, 2012), have low accruals quality (Chaney et al., 2011) and poor ROS (Hadani and Schuler, 2013). Connected banks have poor loan portfolios and record low interest revenues (Carretta et al., 2012). Other studies reached similar conclusions for operating performance (Faccio et al., 2006; Fan et al., 2007). Using abnormal returns and market value, a couple of studies found that CPA has a negative impact (Fan et al., 2007; Aggarwal et al., 2011; Hadani and Schuler, 2013) and a non-significant impact (Ansolabehere et al., 2004; Hersch et al., 2008) on stock performance. Interestingly, all studies investigating policy performance found that CPA is able to influence policy decisions in ways favourable to the firm. For instance, contributions influence senate roll call vote (Steagall and Jennings, 1996; Liebman and Reynolds, 2006; Mian et al., 2010) while political connections shape government subsidy decisions (Lee and Baik, 2010; Wu and Cheng, 2011) and protect firms from competition (Evans and Sherlund, 2011). At this juncture, it is plausible to argue based on the literature that informational strategies and any other strategies targeted at policy influence are usually successful without any negative outcomes.

In Figure 6-3, solid lines show the dominant relationship between outcome type and outcome direction. The broken lines show the other relationships as suggested by the literature. It can be seen that policy performance does not have any relationships with other directions except the positive direction.

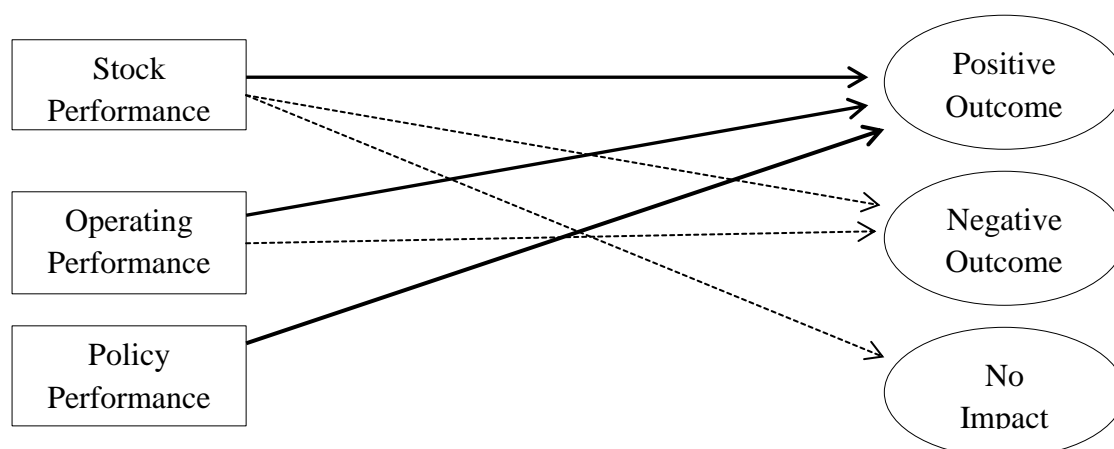


Figure 6-3 Outcome Type-Outcome Direction

6.5 The CIMO-logic of CPA and Firm Performance

To draw the larger picture, two contexts namely economic transition and privatization, and weak institutional environments are treated as contexts for developing countries as suggested in the literature. Competition, uncertainty and regulation are common contexts in developed countries. The common strategy in developing countries is the relational strategy where firms establish connections with politicians (Bliss and Gul, 2012; Boubakri et al., 2012a; Yeh et al., 2013). In developed countries, financial and informational strategies are popular. Perhaps, this is because developed countries have laws that regulate political spending (Schuler et al., 2002a) and the policymaking process (McKay and Webb-Yackee, 2007), allowing firms to participate in political and policy issues. Examining three broad categories of firm performance, there is overwhelming evidence that CPA leads to positive outcomes. As shown in Figure 6-4, relational strategies affect performance outcomes mainly through three theoretical mechanisms namely social capital, agency and institutional theories. Connections to politicians create political capital and this confers benefits on firms (Sun et al., 2011; Wu et al., 2012b). Relational strategies also allow connected firms to extract rents through cronyism and corruption (Johnson and Mitton, 2003) especially in relationship-based capital systems (Adhikari et al., 2006) where institutional development is weak. Moreover, the dependency of other actors on government makes them yield to the demands and pressures of politically connected firms (Khwaja and Mian, 2005; Faccio et al., 2006). Similar to relational strategies, financial strategies build social capital and align the interests of firms with those of regulators. For instance, contributions grant firms with access to politicians (Kim, 2008) and enables firms to have politicians act in their favour (Steagall and Jennings, 1996; Mian et al., 2010).

In the literature, social capital and institutional theories are commonly used to explicate stock and operating performances while resource dependency is applied to largely explain operating performance. Agency theory is popular with policy performance, but has also been used to explain stock and operating performances.

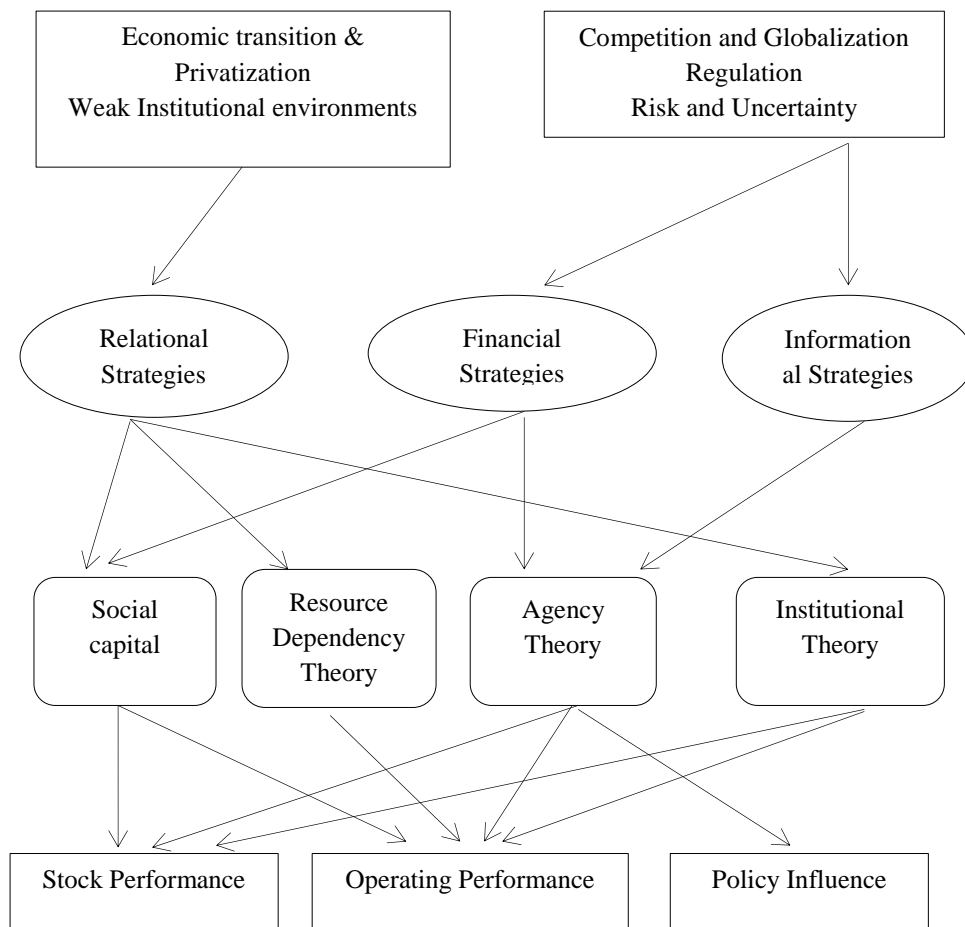


Figure 6-4 Empirically Derived CIMO Framework of CPA

Chapter 7 Discussion

Investigation of the literature on how CPA impacts firm performance reveals that there is a general view that CPA impacts firm performance positively (Hillman, 2005; Adhikari et al., 2006; Claessens et al., 2008). Going by the empirical evidence from this review, suffice it to argue that the advocacy for nonmarket strategy (Baron, 1995) and CPA (Lawton et al., 2013) is justified. The findings corroborate other studies (Hillman and Hitt, 1999; McWilliams et al., 2002; Bonardi et al., 2006; Capron and Chatain, 2008) which suggest that CPA adds value to firms, and strengthen Bernhagen and Brauninger's (2005) claim that policy decisions are positively skewed towards business interests. However, there are pockets of studies that report evidence to the contrary (Fan et al., 2007; Bliss and Gul, 2012; Hadani and Schuler, 2013). It is therefore not surprising that our understanding of CPA outcomes remains incomplete and inconclusive (Hadani and Schuler, 2013), and this calls for further research on the topic (Lux et al., 2011). In this section, I discuss the key insights, point out their limitations, and make suggestions for further research. Consequently, I define the academic contribution of this thesis and the practical implications of the findings.

It can be seen from the CIMO framework of CPA (Figure 6-4) that in the contexts of economic transition, privatization and weak institutional environments, relational strategies are popular. Political connections are commonly used by firms to extract political rents. In contrast to the developed world where competition, globalization, regulation, and risk are dominant contexts of CPA studies, financial and informational strategies are the prevalent instruments firms use to shape their policy environments. There is an overlap of strategies in all of these contexts but the most popular ones per contexts are those I focus on. In the literature, relational strategies affect mostly operating and stock performances while financial and informational strategies affect all three performance outcomes. It therefore follows that in the context of the developing world, operating and stock performances are those impacted by CPA. Consequently, the following propositions linking contexts, interventions and outcomes are offered:

Proposition 1: In circumstances of economic transition and privatization or in emerging countries and weak institutional environments, firms use relational strategies to improve their operating or stock performance.

Proposition 2: In circumstances of increased competition, globalization, regulation, or risk, firms use both financial strategies and informational strategies to influence policy or improve their operating or stock performance.

Relating context to strategy, there are hardly any studies that examine financial and informational strategies in developing countries. Most of these strategies are focused on United States, except one study (Claessens et al., 2008) which examines political spending in Brazil. Similarly, relating context to outcome reveals that policy influence outcomes are hardly studied in developing countries. These gaps are worth filling.

While the linkage between context, strategies and performance outcomes are clear in the literature, the theoretical mechanisms by which these strategies exert their influence on firm performance outcomes are less clear and are therefore mostly implied from the arguments of the authors. The explicit adoption of a theoretical framing for explaining the performance outcomes of CPA is largely missing in typical finance studies (Fisman, 2001; Faccio, 2006; Faccio et al., 2006; Claessens et al., 2008; Boubakri et al., 2008). However, the studies published in management journals are explicitly grounded in theories such as social capital (Peng and Luo, 2000), agency theory (Hadani and Schuler, 2013), and resource dependency theory (Hillman et al., 1999; Hillman, 2005; Carretta et al., 2012). It therefore seems that while core economics and finance literature, which dominate in this review, are more biased towards answering only the “what” question, management literature answer both the “what” and “how” questions with respect to the outcomes of CPA and are thus more insightful. Explicating the mechanisms through which CPA affects firm performance deepens our understanding of the topic (Dean et al., 1998; Hillman et al., 1999; Adhikari et al., 2006).

There is a controversy with respect to the impact of political connections or political capital on perceived risk of the firm. Connected firms are highly leveraged (Fraser et al., 2006) and are more susceptible to the risk of financial distress. Corporate risk taking is higher for politically connected firms because they are more likely to be less conservative in their investment choices (Boubakri et al., 2013). This risk is penalized through high interest rates on loans (Bliss and Gul, 2012) which exert a negative impact on operating performance. However there is a tendency for political connections to serve as government guarantees and hence reduce the risk of doing business with connected firms (Faccio et al., 2006; Niessen and Ruenzi, 2010; Boubakri et al., 2012b). Perhaps, this also explains the preferential treatments granted to politically connected firms (Claessens et al., 2008; Yeh et al., 2013). It

is therefore obvious that as much as our understanding of the relationship between CPA and firm performance is incomplete, so is the impact of CPA on perceived risk of the firm.

The CPA literature body is replete with studies on antecedents (Hansen and Mitchell, 2000; Hersch and McDougall, 2000; Hillman, 2003; Hillman et al., 2004; Lawton et al., 2012), strategies (Keim and Zeithaml, 1986; Hillman and Hitt, 1999) and conceptions/theory (Boddeyn and Brewer, 1994; Hillman and Keim, 1995; Bonardi and Keim, 2005; Bonardi et al., 2005; Capron and Chatain, 2008; Barron, 2011). However, the outcomes of CPA are among the least studied (Lux et al., 2011). There are many theories that explain why firms engage in CPA or why firms conduct CPA in particular ways (Getz, 1997), but only a few have been applied to explain CPA outcomes. One theory that is popular with CPA research in emerging and developing countries is institutional theory. Evidence from this review suggests that the outcomes of CPA may vary with different institutional contexts (Hillman, 2005; Wu and Cheng, 2011; Wu et al., 2012a). Meanwhile a scrutiny of the geographical distribution of studies on the outcomes of CPA (Figure 6-2) reveals that some regions, especially Australia and Africa, remain unexplored. It is therefore difficult to obtain conclusive evidence or to make extensive generalizations.

The outcomes of CPA have been measured in very different ways. Most studies examine stock performance (Goldman et al., 2009; Cooper et al., 2010; Huber and Kirchler, 2013) and operating performance (Claessens et al., 2008; Chaney et al., 2011; Carretta et al., 2012). There are some others that examine academic earmarks (De Figueiredo and Silverman, 2006), anti-dumping proceeds (Lee and Baik, 2010), government contracts (Witko, 2011), bailouts (Faccio et al., 2006), trade mission participation (Schuler et al., 2002a) and regulations (McKay and Webb-Yackee, 2007). It is thus evident that CPA outcomes have been examined using different variables and constructs, but there is still room for the impact of CPA on other performance metrics to be investigated (Lux et al., 2011).

7.1 Directions for Future Research

As much as the thematic analysis of the reviewed literature has improved our knowledge of the CPA-firm performance relationship, it has also facilitated the identification of gaps in the extant literature with respect to contexts, interventions/strategies, mechanisms, and outcomes of CPA. Consequently, I propose the following significant avenues for future research.

First, there is a dearth of studies that examine informational and financial strategies in developing countries. With the exception of a few (Claessens et al., 2008), almost all the literature on the aforementioned strategies are focused on United States. There are two possible explanations for this observation: 1) it could be the case that studies have intentionally or unintentionally overlooked these strategies in the emerging markets contexts or 2) these strategies are not used by firms in developing countries. It is however difficult to accept the latter reason since everywhere in the world corporations seem to play a role in politics. Following from that premise, I propose that future research could investigate not just how financial and informational strategies impact firm performance in emerging countries but also what their antecedents are and how they are deployed. If there is a view that these strategies are invisible or hardly existent in the developing world context, future studies could explore how contextual or institutional configurations influence the choice of CPA strategies. Different institutional environments could have different influence on CPA outcomes (Hillman, 2005), which suggests that studies of CPA outcomes in “virgin regions” such as Africa and Australia could help advance the search for conclusive evidence on the topic.

Second, it can be observed in the literature that there is a bias towards finding the relationship between CPA and firm performance, but less emphasis is placed on understanding the underlying mechanisms of CPA value creation/destruction. There are only a few studies (Peng and Luo, 2000; Hadani and Schuler, 2013) that explicitly discuss mechanisms through which political activism impacts firm performance. Consequently, future research could attempt to explain the means by which CPA delivers specific outcomes.

Third, the reviewed literature reveals that empirical studies address corporate involvement in the political process mainly at the national level. While it is at this level that most of CPA can be seen, it still does not rule out the fact that CPA exists at the local/regional/state levels. For instance, in the United States majority of the studies focus on national politics to the neglect of State politics, yet State governments have authority to enact laws and pass regulations that can affect the firm. Similarly in developing countries, local governments have the authority to set tolls and tax rates. These instances highlight a significant research opportunity to investigate the CPA of small firms which may not have the resources or capabilities to participate in national-level politics.

Fourth, extant literature measures the impact of political connections on firm performance, but does not differentiate between the different types of connections and how they impact

performance. For instance, studies about politicians on corporate boards fail to distinguish between different types of directors (e.g. male vs. female). In the same vein, hardly do studies distinguish between “soft money” and “hard money” contributions. Disaggregating these strategies into different types is a significant research avenue that could contribute to theory.

Fifth, surveys are hardly used in CPA empirical studies. In this review, only two studies (Peng and Luo, 2000; Lu, 2011) draw on this method. While surveys could be used to obtain unique datasets for unique constructs, they could also be used to collect information that is hardly public. Having said that, future research could use more of the survey technique in ways that allow for the development of novel CPA constructs.

Sixth, while so many variables of firm performance have been investigated including ROA (Boubakri et al., 2012a), ROE (Niessen and Ruenzi, 2010), effective tax rates (Adhikari et al., 2006), interest income (Carretta et al., 2012), government contracts (Witko, 2011), leverage (Fraser et al., 2006) and academic earmarks (De Figueiredo and Silverman, 2006) among others, there are still avenues for different variables of performance to be examined. Future studies could examine how CPA impacts restrictions on pricing or mark ups and import or export licensing. Future studies could also examine industry entry restrictions by measuring how long it takes to obtain operating licenses.

Seventh and finally, the controversy around the impact of CPA on risk perception is an interesting opportunity for future research. While some studies argue that CPA reduces perceived riskiness of the firm (Boubakri et al., 2012b), others argue that it actually increases perceived riskiness (Bliss and Gul, 2012). Future research could look deeper into how CPA impacts perceived risk and the resultant cost of debt for borrowing firms. One of the sources to verify the risk perceptions of politically connectedness is from financial institutions which make loans and advances to firms. Hence, another avenue is to investigate how financial institutions perceive risk of political connections and how they address this risk in their loan decisions.

7.2 Implications for my PhD

The future research directions outlined above have implications for my PhD. Combining the first, second, fifth and seventh avenues of future research, I plan to answer the following overarching research question in my PhD:

What is the impact of CPA on perceived firm risk and cost of debt?

This question will address the Ghanaian context, a virgin region for CPA studies. Considering that there are few publicly listed companies and many private companies in Ghana, it will be difficult to identify political connections through board compositions due to data unavailability. Only public firms publish annual reports. Hence, I intend to collect survey data on novel constructs of CPA – 1) whether the firm lobby government or seek to influence the passage or content of laws or regulations; and 2) the amount of time senior management spend in dealing with government regulation. I also intend to survey or interview risk managers of financial institutions on how they perceive the risk inherent in politically active firms and how their perceptions of political risk impact their loan decisions. This will shed more light on the mechanism through which CPA impacts cost of debt.

7.3 Academic Contribution and Practical Implications

There are reviews on the general body of CPA literature (Hillman et al., 2004; Mathur and Singh, 2011) but to the best of my knowledge only one (Lawton et al., 2013) was systematically conducted. What these studies have done is to summarize insights of the many facets of CPA without delving deeper into those facets individually. This review is thus the first to distinctively and systematically investigate (Tranfield et al., 2003) the impact of CPA on firm performance. It is also the first to do so applying the CIMO-logic (Denyer et al., 2008). This study provides an overview of research on the topic and reports not only the performance implications of CPA but also discusses the contexts and the underlying mechanisms of CPA outcomes. Also, two propositions linking contexts, strategies, and outcomes are developed. Having identified gaps in extant literature, this review suggests significant future research avenues that will improve the current knowledge of CPA outcomes and contribute to theory.

The practical implications of this review are two-fold. First, evidence reveals that CPA adds value to firms. This review supports the argument that managerial political capabilities shape the competitive environment (McWilliams et al., 2002; Capron and Chatain, 2008) and add value to firms (Lawton et al., 2013). Managers should therefore exert effort to develop dynamic capabilities (Teece et al., 1997) in policy arenas (Lawton et al., 2012) where they can influence government regulations in ways that add value to their firms (Getz, 1997; Hillman et al., 2004). CPA should not be random or occasional, but should be an integral part

of a firm's strategy where both market and nonmarket elements are coordinated (Baron, 1999). It needs mentioning that the policy arena dictates the configuration and attractiveness of the market environment in every economy. Government regulations affect almost every firm (Weidenbaum, 1980), making it imperative for firms to be part of the political process.

Second, managers ought to be cognizant of the mechanisms through which CPA adds value to firms. Deploying political resources and capabilities without understanding the mediators of performance would not facilitate the harnessing of maximum benefits. To this end, I would entreat managers to ensure that they build social capital in whatever strategies they deploy because it is the dominant mechanism through which firms receive the gains of political involvement.

Figure 7-1 summarizes the contribution of this review. The CIMO logic has revealed gaps for future research. It has also shown that CPA adds value to firms, mostly through the development of social capital. Hence, managers could engage in CPA and build social capital for sustainable competitive advantage.

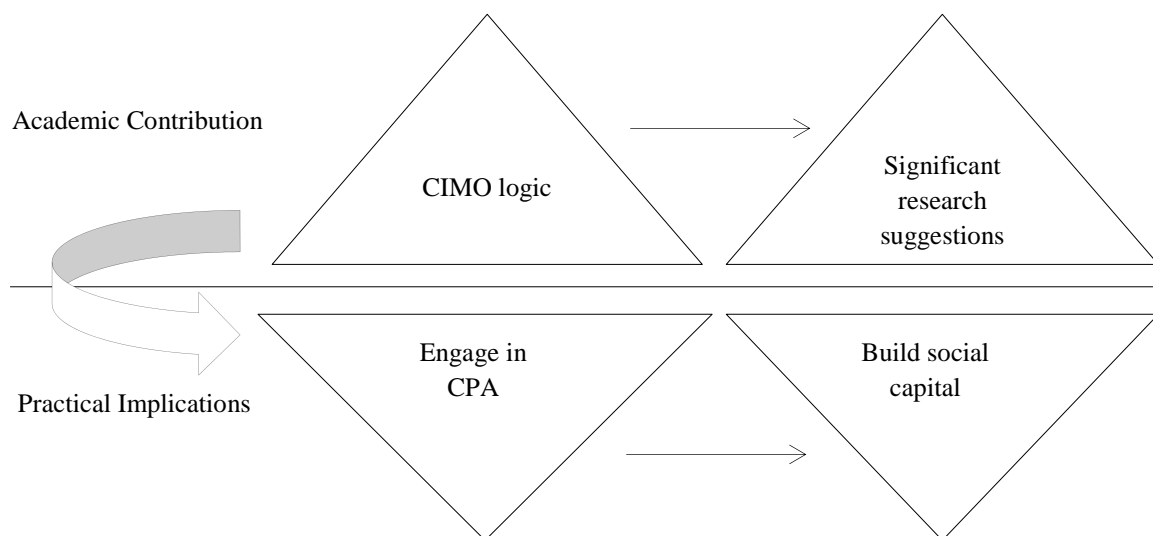


Figure 7-1 Contribution Framework

Chapter 8 Conclusion

This review investigated extant literature to understand the relationship between CPA and firm performance. Adopting the CIMO framework (Denyer et al., 2008), this study explored the contexts within which CPA has been investigated, the strategies implemented, the resultant firm performance outcomes, and the mechanisms underlying the performance outcomes (Pilbeam et al., 2012). The findings suggest that CPA has a positive impact on firm performance, dominantly through the influence of social capital. There are, however, a few studies which reported negative results. Outcomes vary from context to context, an indication that institutional differences impact the CPA-firm performance relationship. Similarly, institutional contexts influence the strategy that is used by firms or investigated by scholars. Consequently, two propositions linking context, strategies, and outcomes were developed. Based on thorough analysis, the study discussed implications of the findings and posited future research directions.

8.1 Limitations of the Review

The limitations of this review are four-fold. First, the findings and arguments made are based on 56 articles. Though I employed a rigorous and extensive approach to search for this literature, it is far from plausible to claim that all existing and relevant information on CPA and firm performance is represented. It is possible that my inclusion and exclusion criteria, though reasonable and justified, has caused me to omit studies that could be relevant to the research question. Moreover, the small number of studies that I reviewed places limitations on the extent of generalization I can make. Hence the findings are tentative; further research is required before any strong conclusions can be drawn.

Second and related to the above limitation is the difficulty to discern causality in the CPA-firm performance relationship. Regression analysis is the dominant method among the reviewed literature. Yet, a common issue with this method is the endogeneity problem. Causal ambiguity makes it cumbersome to determine whether well performing firms engage in CPA or whether CPA leads to superior firm performance. Therefore, I cannot strongly prove at this stage that it is CPA which impacts firm performance. It could be that successful firms with slack resources and better capabilities engage in CPA. Consequently, my claim of a positive impact of CPA on performance is moderate, tentative and based on extant literature.

Third, I acknowledge personal bias in the framing of the review question and implementation of the quality criteria. Even though the criteria for assessing quality of the selected studies were adopted from published work (Huff, 1999), it is my personal judgement that came into play when I scored each of the studies on the criteria. In addition, I subjectively decided what the cut-off score for inclusion should be and this could have made me exclude or miss important pieces of research.

Fourth and finally, majority of the studies do not clearly or explicitly state the theoretical mechanisms through which CPA impacts firm performance. In fact, most of the studies were not theoretically grounded. As a result, most of the mechanisms were theoretically implied from the arguments made by the authors. I need to mention that my interpretation of those arguments into theoretical mechanisms, though carefully done, was subjective. Perhaps, a different researcher would have interpreted differently. Despite all the above-mentioned limitations, this review was objectively conducted to the best of my ability.

8.2 Personal Learning

In this section, I soberly reflect on my learning during the course of undertaking this thesis project. First, I want to emphasize that the whole process has been a significant learning experience. Having heard and read about systematic reviews, this project afforded me the opportunity to get hands-on experience about how they are done. It was challenging, but I am appreciative of the fact that I have learned a more reliable and replicable way of probing literature. Systematic reviews differ significantly from traditional reviews because of their rigidity and objectivity. Nevertheless, I must add that they are not entirely free of researcher bias. During the process, I called the shots on some issues such as the inclusion criteria, the quality scoring and cut-off point, and even the organization of the themes and the arguments I put across. As much as I tried to be objective, personal preferences were at play. Infact, I believe that another researcher could have presented the findings in a different shape.

Importantly, I learned and applied the CIMO-logic which is an insightful way to synthesize findings. Going into my scoping review meeting, I had no idea anything like that existed until my Panel chair mentioned it. Since then, I have found it useful and interesting. To the best of my knowledge, I am the only researcher to apply the CIMO-logic to review literature in the CPA field, and this is fulfilling. The CIMO framework has allowed me to make a contribution to the literature, and to identify significant avenues for future research.

This is the third thesis I have written in my life, but this is the one that required so much time, energy, and deep thinking. Examining titles and abstracts of over 2,000 articles, reading full texts and extracting relevant information to data forms were time consuming. What was even more difficult was synthesizing the information and presenting a coherent and comprehensive picture. Through this project, I learned where to look to identify relevant information in an article, and how to make meaning of different strands of information. These are skills I look to develop further since I will be calling on them throughout my PhD and subsequently in the academic/research career I envisage. I sum up with three qualities required to conduct a systematic review: discipline, endurance, and craft.

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Appendices

Appendix A: List of Selected Studies

No	Study	No	Study	No	Study
1	Adhikari et al. (2006)***	21	Francis et al. (2009)*	41	Mathur and Singh (2011)***
2	Aggarwal et al. (2011)***	22	Fraser et al. (2006)*	42	McGuire et al. (1988)***
3	Ansolabehere et al. (2004)***	23	Goldman et al. (2009)***	43	McKay and Webb-Yackee (2007)***
4	Bliss and Gul (2012)***	24	Hadani and Schuler (2013)***	44	Mian et al. (2010)*
5	Boubakri et al. (2012)***	25	Hassan et al. (2012)*	45	Niessen and Ruenzi (2010)***
6	Boubakri et al. (2008)*	26	Hersch et al. (2008)***	46	Peng and Luo (2000)***
7	Boubakri et al. (2012)***	27	Hillman et al. (1999)***	47	Richter et al. (2009)*
8	Brown (1996)***	28	Hillman (2005)***	48	Schuler et al. (2002)***
9	Bunkanwanicha and Wiwattanakantang (2009)***	29	Huber and Kirchler (2013)***	49	Steagall and Jennings (1996)*
10	Carretta et al. (2012)*	30	Imai (2006)*	50	Sun et al. (2011)*
11	Chaney et al. (2011)***	31	Jayachandran (2006)***	51	Tu et al. (2013)***
12	Claessens et al. (2008)***	32	Johnson and Mitton (2003)**	52	Witko (2011)***
13	Cooper et al. (2010)***	33	Khwaja and Mian (2005)***	53	Wu and Cheng (2011)*
14	de Figueiredo and Silverman (2006)***	34	Kim (2008)***	54	Wu et al. (2012)***
15	Dean et al. (1998)*	35	Lee and Baik (2010)*	55	Wu et al. (2012)*
16	Evans and Sherlund (2011)*	36	Leuz and Oberholzer-Gee (2006)*	56	Yeh et al. (2013)***
17	Faccio (2006)***	37	Liebman and Reynolds (2006)**		
18	Faccio et al. (2006)***	38	Lo (2003)*		
19	Fan et al. (2007)***	39	Lu (2011)*		
20	Fisman (2001)***	40	Marsh (1998)***		

* from cross-referencing; ** from recommendations; *** from databases

Appendix B: Quality Appraisal Tool

Code	Criteria
	Theoretical framework and development of hypotheses
A	Are the study's propositions and hypotheses clearly articulated?
B	Are the basic arguments of the paper important and interesting?
C	Are important premises and assumptions identified?
D	Are the key terms defined?
	Description and evaluation of methods
E	Is the methodology of the paper clearly identified?
F	Are data collection methods described adequately?
G	Are the sampling strategy and sample explained?
H	Is the operationalization of the variables and the constructs plausible (content validity)?
I	Are dependent and control variables identified and described?
J	Do measures theoretically relate to independent and dependent variables (construct validity)?
K	Are questionnaire or other instrument items identified and described?

L	Have steps been taken to avoid data collection errors?
M	Is there evidence of reliability or internal consistency in the study?
	Results
N	Are the findings adequately and accurately described?
O	Are the results related back to original propositions, hypothesis, research question, and data analysis?
P	Do tables provide sufficient and accurate data to allow reader to reach independent conclusions?
Q	Is implied causality justified?
R	Has the author adequately considered alternative explanations for the results?

Appendix C: Quality Assessment Scores

Paper No	Quality Criteria Code																	
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	3	4	3	5	5	3	5	5	5	5	3	4	5	3	3	3	5	3
2	5	3	4	3	3	5	5	5	5	3	4	5	3	3	4	4	5	3
3	5	5	4	5	4	4	4	3	5	3	5	4	4	4	3	3	5	4
4	5	4	4	5	5	4	3	3	5	4	5	4	5	4	5	4	3	5
5	3	3	3	5	5	5	5	3	4	5	4	5	4	4	3	3	4	4
6	3	5	3	3	5	4	4	5	3	4	5	3	3	3	3	3	4	3
7	5	4	5	5	5	4	4	5	5	4	5	3	3	4	3	3	4	5
8	5	5	5	5	4	4	5	4	4	4	3	4	3	4	3	3	4	4
9	3	4	4	4	3	5	5	5	3	5	5	4	3	3	4	3	5	3
10	4	4	3	4	4	4	4	4	5	3	3	3	4	4	5	4	3	4
11	5	3	3	4	4	3	5	3	5	4	4	5	5	3	3	3	4	4
12	5	5	3	4	3	4	5	5	3	3	5	4	5	4	3	5	3	4
13	5	5	4	3	3	5	3	3	5	5	4	4	5	3	4	5	3	3
14	5	4	4	3	4	3	5	4	3	3	5	5	5	3	5	5	3	3
15	4	4	5	5	4	4	3	3	4	3	3	3	3	5	5	3	5	3
16	5	5	3	3	4	5	3	3	3	4	4	5	4	3	4	4	4	3
17	3	4	3	3	3	4	4	4	5	5	5	3	4	5	5	3	5	5
18	3	5	5	5	3	5	3	4	5	3	5	3	4	5	4	4	5	3
19	5	5	3	5	5	5	5	3	5	4	3	3	4	4	4	5	3	3
20	4	5	4	4	5	4	3	4	3	5	4	3	5	5	5	5	4	5
21	5	4	4	4	5	5	5	4	4	3	4	5	4	4	4	4	5	3
22	3	4	4	3	5	4	3	4	3	4	5	3	5	3	5	5	5	4
23	5	3	4	4	4	3	5	5	5	5	4	5	5	5	3	4	4	4
24	4	4	4	3	4	5	3	3	4	5	4	5	5	5	5	3	5	4
25	4	3	5	4	5	5	4	3	3	3	5	4	5	3	5	3	4	3
26	5	3	5	5	3	3	5	4	3	5	4	4	5	4	4	4	3	3
27	4	3	5	3	5	5	5	4	3	3	4	4	3	3	4	4	5	4
28	3	3	4	4	3	4	4	4	3	3	5	4	4	5	5	5	3	4
29	3	3	3	4	4	4	3	4	4	4	5	5	4	4	3	4	4	4
30	3	5	4	3	4	3	5	4	5	4	5	3	4	4	3	3	5	4
31	3	4	4	3	5	4	4	3	5	5	3	3	3	4	4	5	4	4

32	3	5	4	5	5	5	5	5	5	3	3	5	3	3	4	4	5	3
33	5	4	3	3	3	5	3	4	5	3	3	3	5	3	4	4	4	5
34	4	5	3	3	5	3	5	3	4	3	3	3	5	4	4	4	5	5
35	4	3	4	5	5	4	4	3	4	3	4	5	3	4	5	4	4	4
36	4	5	4	5	4	3	4	4	5	3	3	5	5	4	4	5	3	3
37	4	4	5	4	5	5	4	4	3	3	3	5	5	3	3	4	4	3
38	5	3	3	3	3	3	4	5	5	4	4	5	3	3	4	5	4	3
39	4	4	5	3	4	5	5	5	4	3	4	3	3	4	4	4	3	5
40	5	3	4	5	5	4	5	5	4	3	3	4	5	4	4	5	4	5
41	5	4	4	5	3	4	4	5	3	3	4	3	3	3	5	3	4	5
42	4	4	5	4	5	5	5	3	3	5	3	5	3	3	4	4	5	4
43	4	5	3	4	5	5	4	5	5	4	3	4	4	5	5	3	3	3
44	4	4	4	4	5	5	5	4	4	3	3	4	4	4	3	3	3	4
45	5	3	3	3	3	4	5	3	3	3	3	3	5	4	3	5	4	4
46	3	5	3	4	3	3	4	3	3	5	4	4	4	4	4	3	3	5
47	4	3	4	3	5	3	4	4	5	4	4	4	5	5	3	3	3	4
48	4	3	4	4	4	4	4	4	4	5	3	5	3	4	4	5	4	4
49	5	3	5	3	4	4	3	5	3	4	3	5	3	3	4	4	4	4
50	4	5	5	4	5	4	5	3	5	4	5	4	3	3	4	3	4	4
51	5	5	3	5	3	4	4	5	4	3	4	3	3	4	5	4	5	5
52	5	5	5	5	3	4	4	5	5	3	3	3	3	3	3	3	5	5
53	4	3	3	3	5	5	4	4	3	3	4	4	5	5	4	5	4	3
54	4	4	3	5	5	3	4	5	4	3	5	4	3	4	3	3	4	3
55	4	4	5	3	4	5	3	3	5	3	3	3	3	3	5	5	3	5
56	3	3	3	3	3	5	5	5	5	3	4	3	3	5	5	3	5	5

1=Not at all. 2=To a limited extent. 3=At an acceptable level. 4=To a significant level. 5=Completely

Appendix D: CIMO Framework for Selected Studies

	Adhikari et al. (2006)	Aggarwal et al. (2011)	Ansolabehere et al. (2004)	Bliss and Gul (2012)	Boubakri et al. (2012)	Boubakri et al. (2008)	Boubakri et al. (2012)	Brown (1996)	Bunkanwanicha and Wiwattanakantang (2009)	Carretta et al. (2012)	Chaney et al. (2011)	Claessens et al. (2008)	Cooper et al. (2010)	de Figueiredo and Silverman (2006)	Dean et al. (1998)
Context															
Globalization & Competition		X	X		X		X			X	X		X	X	X
Uncertainty & Risk															
Regulation										X					X
Economic transition & Privatization						X									
Weak institutional environments	X			X					X			X			
Political Transition								X							
Management change															
Strategy/Intervention															
Financial (PAC/Political contributions/Soft money)		X	X					X				X	X	X	X
Relational (Politically connected boards/CEOs/Top Management Teams)	X			X		X	X		X	X	X			X	
Informational (Petitions/Comments)															
Mechanism implied by theory															
Changes in resources and capabilities (resourced based view theory)															
Mis/alignment of business and political interests; un/profitable investment; managerial self-aggrandizement (agency theory)		X	X		X	X	X				X		X	X	
Co-optation of external dependencies; yielding to dependencies (resource dependency theory)					X					X					
Corruption & Cronyism; changes to institutional barriers (institutional theory)	X			X		X						X			
Preferential treatment; influence and access to government (social capital/network theory)	X			X	X	X		X	X			X			X
Outcomes															
Stock performance		X	X				X	X	X			X	X		
Operating/Accounting performance	X			X	X	X				X	X	X			
Policy influence														X	X

	Evans and Sherlund (2011)	Faccio (2006)	Faccio et al. (2006)	Fan et al. (2007)	Fisman (2001)	Francis et al. (2009)	Fraser et al. (2006)	Goldman et al. (2009)	Hadani and Schuler (2013)	Hassan et al. (2012)	Hersch et al. (2008)	Hillman et al. (1999)	Hillman (2005)	Huber and Kirchler (2013)	Imai (2006)
Context															
Globalization & Competition	X	X	X					X			X	X	X	X	
Uncertainty & Risk		X							X			X	X		
Regulation	X								X			X	X		
Economic transition & Privatization				X	X	X									
Weak institutional environments				X		X	X			X					X
Political Transition															
Management change															
Strategy/Intervention															
Financial (PAC/Political contributions/Soft money)	X								X		X			X	
Relational (Politically connected boards/CEOs/Top Management Teams)		X	X	X		X	X	X	X	X		X	X		X
Informational (Petitions/Comments)															
Mechanism implied by theory															
Changes in resources and capabilities (resourced based view theory)											X	X	X		
Mis/alignment of business and political interests; un/profitable investment; managerial self-aggrandizement (agency theory)		X	X	X				X	X	X					
Co-optation of external dependencies; yielding to dependencies (resource dependency theory)		X							X			X	X		
Corruption & Cronyism; changes to institutional barriers (institutional theory)		X			X		X								X
Preferential treatment; influence and access to government (social capital/network theory)	X	X	X			X	X							X	X
Outcomes															
Stock performance		X		X	X	X		X	X	X	X	X	X	X	
Operating/Accounting performance			X	X			X		X	X			X		X
Policy influence	X		X												

	Jayachandran (2006)	Johnson and Mittton (2003)	Khwaja and Mian (2005)	Kim (2008)	Lee and Baik (2010)	Leuz and Oberholzer- Gee (2006)	Liebman and Reynolds (2006)	Lo (2003)	Lu (2011)	Marsh (1998)	Mathur and Singh (2011)	McGuire et al. (1988)	McKay and Webb- Yackee (2007)	Mian et al. (2010)	Niessen and Ruenzi (2010)
Context															
Globalization & Competition					X		X		X	X	X		X		X
Uncertainty & Risk															
Regulation		X		X	X		X	X		X			X	X	
Economic transition & Privatization															
Weak institutional environments		X	X			X									
Political Transition	X														
Management change												X			
Strategy/Intervention															
Financial (PAC/Political contributions/Soft money)	X			X	X		X				X			X	
Relational (Politically connected boards/CEOs/Top Management Teams)		X	X			X						X			X
Informational (Petitions/Comments)								X		X			X		
Mechanism implied by theory															
Changes in resources and capabilities (resourced based view theory)												X			
Mis/alignment of business and political interests; un/profitable investment; managerial self-aggrandizement (agency theory)	X			X	X			X		X	X		X		X
Co-optation of external dependencies; yielding to dependencies (resource dependency theory)							X								
Corruption & Cronyism; changes to institutional barriers (institutional theory)		X	X			X			X						
Preferential treatment; influence and access to government (social capital/network theory)	X	X	X		X	X						X		X	
Outcomes															
Stock performance	X	X		X		X		X		X		X			X
Operating/Accounting performance			X					X	X		X				X
Policy influence					X		X						X	X	

	Peng and Luo (2000)	Richter et al. (2009)	Schuler et al. (2002)	Steagall and Jennings (1996)	Sun et al. (2011)	Tu et al. (2013)	Witko (2011)	Wu and Cheng (2011)	Wu et al. (2012)	Wu et al. (2012)	Yeh et al. (2013)
Context											
Globalization & Competition		X	X	X		X	X				
Uncertainty & Risk											
Regulation		X		X				X			
Economic transition & Privatization	X				X	X		X		X	
Weak institutional environments						X		X	X		
Political Transition											X
Management change											
Strategy/Intervention											
Financial (PAC/Political contributions/Soft money)		X	X	X			X				
Relational (Politically connected boards/CEOs/Top Management Teams)	X				X	X		X	X	X	X
Informational (Petitions/Comments)											
Mechanism implied by theory											
Changes in resources and capabilities (resourced based view theory)	X							X	X		
Mis/alignment of business and political interests; un/profitable investment; managerial self-aggrandizement (agency theory)							X		X	X	
Co-optation of external dependencies; yielding to dependencies (resource dependency theory)	X			X				X			
Corruption & Cronyism; changes to institutional barriers (institutional theory)						X					
Preferential treatment; influence and access to government (social capital/network theory)	X	X	X		X	X	X	X		X	X
Outcomes											
Stock performance					X	X			X	X	X
Operating/Accounting performance	X	X				X			X	X	X
Policy influence			X	X			X	X			

Appendix E: Data Extraction Sheets

Citation/Description
Title: Corporate Lobbying Revisited
Author(s): Kim, J.
Journal: Business & Politics
Year: 2008
Keywords: corporate lobbying, campaign contributions, stock returns
Research objective/Question: More specifically, this paper addresses two main questions: How do the determinants of lobbying expenditures differ from those of campaign contributions? How do lobbying expenditures pay off in terms of the firm's financial performance?
Methodology
Sample selection, size and characteristics: 498 S&P 500 firms between 1998 and 2004
Data sources/ Data collection methods: Lobbying expenditure data are collected directly from the disclosure forms available at the Senate. PAC and soft money contributions data are obtained from the Center for Responsive Politics. All the stock and financial data come from CRSP and Compustat
Methods of analysis: OLS Heckman selection regression
Themess
Context: Regulation, United States
Intervention/Strategy: Financial - campaign contributions, lobbying expenditure
Mechanism implied by theory: Agency theory
Outcome: Stock return
Results
Key findings: In terms of equity returns, lobbying firms tend to outperform the market average and, to a lesser degree, the average peer in the same industry. Doubling expenditures on lobbying can increase the firm's equity returns by 2.5 percent unadjusted, 2.4 percent relative to the market, and 1.3 percent relative to the industry.
Limitations and Suggestions for future research: Measure of endogeneity not appropriate. This suggests that the instruments used here may not be perfect and caution must be exercised in using these estimates.
Contribution to Review Question
Positive performance: Increased lobbying is associated with increased firm performance.
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Estimating the Value of Political Connections
Author(s): Fisman, R.
Journal: American Economic Review
Year: 2001
Keywords: political connections, value, Suharto, Indonesia
Research objective/Question: To measure the extent to which firms rely on political connections for value
Methodology
Sample selection, size and characteristics: 79 firms
Data sources/ Data collection methods: Accounting and stock data collected from Financial Times' Extel Financials database and Investamactic database
Methods of analysis: Event study
Themes
Context: Economic transition, Indonesia
Intervention/Strategy: Relational – connections to Suharto's government
Mechanism implied by Theory: Institutional theory

Outcome: Stock return
Results
Key findings: firms with stronger political connections record deeper losses in event windows during which there were adverse rumours of Suharto's health. Consequently, this article suggests that much of a firm's value may be derived from political ties. Politically connected firms on the average, lost more value
Limitations and Suggestions for future research: The sample size is small and limits the extent of generalization which the author makes to other corrupt countries. Suharto Dependency Index is a subjective construction by a group of consultants and it could be tainted with bias.
Contribution to Review Question
Positive performance: Firms derive value from political connections
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Corporate political strategies and firm performance: Indications of firm-specific benefits from personal service in the US government
Author(s): Hillman, A. J.; Zardkoohi, A.; Bierman, L.
Journal: Strategic Management Journal
Year: 1999
Keywords: political strategies; financial performance; event studies; government linkages
Research objective/Question: This study measures the change in firm value as a result of a linkage with the government
Methodology
Sample selection, size and characteristics: 31 Presidential cabinet-level appointees and elected members of congress between 1968 and 1992 who were either board members or part of senior management teams of public companies listed
Data sources/ Data collection methods: Used Wall Street Journal, New York Times, Washington Post newspapers to check for political appointments. Stock price information obtained from either the <i>Wall Street Journal</i> or on the CRSP data tape.
Methods of analysis: Event study
Themes
Context: Regulation, Uncertainty, Competition, United States
Intervention/ Strategy: Relational
Mechanism implied by theory: Resource dependency, RBV
Outcome: Stock return
Results
Key findings: Firms that are able to gain access to the political process may benefit from a reduction in uncertainty, reduced transaction costs, and increased survival. The firms in the sample experienced a significant overall average abnormal return of 1.60 percent, with specific firms experiencing abnormal returns as high as a positive 13.7 percent increase
Limitations and Suggestions for future research: Small sample size. Future studies should investigate what underlies the value generation of political connections.
Contribution to Review Question
Positive performance: Evidence suggests that a linkage with the government is positively related to firm value in our sample
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: In search of El Dorado: The elusive financial returns on corporate political investments
Author(s): Hadani, M; Schuler, D. A.
Journal: Strategic Management Journal
Year: 2013
Keywords: corporate political activity, regulation, agency theory, political service, financial performance
Research objective/Question: What is the relationship between CPA and firm financial performance?
Methodology
Sample selection, size and characteristics: 943 large and mid-cap firms
Data sources/ Data collection methods: S&P 1500 database from 1998-2008. Political investment data sources include the Web sites of the Center for Responsive Politics (2011), Federal Election Commission, and the Senate's Office of Public Records, and reflect federal-level data.
Methods of analysis: Regression analysis.
Themes
Context: Uncertainty, Regulation, United States
Intervention/Strategy: Financial and Relational
Mechanism implied by theory: Agency theory
Type of outcome: Stock and operating performance – market value and ROS
Results
Key findings: CPI is <i>negatively</i> associated with market value. CCPI are <i>negatively</i> associated with market value. Board political service is <i>negatively</i> associated with market value
Limitations and Suggestions for future research: Not enough data. Future studies aimed at looking into the impact of state- versus federal-level CPA may be warranted, taking into account the significant variance in state-level disclosure laws.
Contribution to Review Question
Positive performance:
Negative performance: The largely unexpected results, in particular the <i>negative relationship</i> between all three measures of CPA and a firm's market value, merit specific attention. CPA may represent poor quality investment.
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Politically connected firms
Author(s): Faccio, M
Journal: American Economic Review
Year: 2006
Keywords: political connections, firm value, Management, shareholders, corruption
Research objective/Question: What common characteristics do countries with widespread political connections share? And, do connections add to company value?
Methodology
Sample selection, size and characteristics: 157 publicly traded firms.
Data sources/ Data collection methods: Chiefs of State directory, Worldscoop database, Lexis-Nexis, The Financial Times, The Economist
Methods of analysis: Event study
Themes
Context: Competition, risk, Multiple countries
Intervention/Strategy: Relational – shareholders or Top Management politically connected

Mechanism implied by theory: resource dependency theory, agency theory, corruption
Type of outcome: Stock performance
Results
Key findings: The results for the whole sample indicate that the announcement of a new connection results in an abnormal return of 1.43 percent. Connections with more powerful politicians and with businesspeople with more vested interests in the company result in larger announcement returns
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Political connections generate value
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Public policy, political connections, and effective tax rates: Longitudinal evidence from Malaysia
Author(s): Adhikari, A.; Derashid, C.; Zhang, H.
Journal: Journal of Accounting & Public Policy
Year: 2006
Keywords: Political connections; Public policy; Effective tax rates; Relationship-based economies
Research objective/Question: This paper contributes to the currently scarce ETR literature on non-western firms by exploring the link between political connections and ETR in Malaysia
Methodology
Sample selection, size and characteristics: 257 firms
Data sources/ Data collection methods: Annual reports of firms listed on Kuala Lumpur stock exchange
Methods of analysis: Regression analysis
Themes
Context: Emerging economies, Malaysia
Intervention/Strategy: Relational – informal ties
Mechanism implied by theory: social capital, institutional theory
Outcome: Operating performance – effective tax rates
Industry of focus: Multiple
Results
Key findings: Politically connected firms have significantly lower ETR than unconnected firms irrespective of how ETR or political connection is defined. We find that firms with political connections pay tax at significantly lower effective rates in Malaysia. The results suggest that political connections are an important determinant of ETR in “relationship-based” economies.
Limitations and Suggestions for future research: A major limitation, which is common to all ETR studies, is that mechanisms or processes, which are actually responsible for certain firms to pay tax at lower effective rates than other firms, are not examined. Future studies would be to investigate the specific mechanisms by which a lower ETR may be achieved.
Contribution to Review Question
Positive performance: There is a statistically significant negative link between ETR and political connections. Firms with political connections pay tax at significantly lower effective rates in Malaysia
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connection and cost of debt: Some Malaysian evidence
Author(s): Bliss, M. A.; Gul, F. A.
Journal: Journal of Banking & Finance
Year: 2012
Keywords: Political connection, Cost of debt, CEO duality, Audit committees
Research objective/Question: The objective of this study is to extend our understanding of these firms by investigating (1) whether these firms have a higher cost of debt capital given their association with higher leverage, and (2) whether major corporate governance reforms instituted by the Malaysian government have had any effect on the cost of debt to these firms.
Methodology
Sample selection, size and characteristics: The sample consists of the Malaysian top 500 non-finance public listed companies in terms of market capitalization for years 2001–2004.
Data sources/ Data collection methods: Annual reports and previous studies (Faccio, 2006)
Methods of analysis: Regression
Themes
Context: Emerging economies, Malaysia
Intervention/Strategy: Relational
Mechanism implied by theory: Institutional theory
Outcome: Operating performance – cost of debt
Results
Key findings: Politically connected firms are associated with higher interest rates on debt. This result indicates that lenders perceive PCON firms to be riskier and, as such, compensate themselves by charging these firms higher rates of interest on their borrowings. The results from this study find a positive association between interest rates charged by lenders and PCON firms. This result suggests that lenders perceive these firms as being riskier than non-PCON firms
Limitations and Suggestions for future research: This study only covers four years of Malaysian data and hence an external validity problem exists in that the results may not be transportable over different time periods and locations. Second, PCON firms are identified only if they are identified as such in either Johnson and Mitton (2003) or Faccio (2006). Whilst this is an objective criterion, it is possible that other PCON firms are present in the sample and remain unidentified, and that some PCON firms may be more politically connected than others.
Contribution to Review Question
Positive performance:
Negative performance: “The results from this study provide evidence that the interest rates charged by lenders to PCON firms are significantly higher than those charged to non-PCON firms. This is in line with our expectation that lenders perceive PCON firms to be more risky.” (p.1521)
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: The Impact of Political Connections on Firms' Operating Performance and Financing Decisions
Author(s): Boubakri, N.; Cosset, J.; Saffar, W.
Journal: Journal of Financial Research
Year: 2012
Keywords: political connections, debt financing, performance
Research objective/Question: This study re-examines the consequences of political connections in a new framework, by conducting a worldwide event study to analyze how the political connections of publicly traded firms affect their accounting performance and financing decisions
Methodology
Sample selection, size and characteristics: 234 firms from 23 countries

Data sources/ Data collection methods: Multiples sources and studies, Worldscope, Extel, company websites, and LexisNexis
Methods of analysis: Regression analysis, event study
Themes
Context/Geography: competition, Multiple countries
Intervention/Strategy: Relational
Mechanism implied by theory: agency theory, resource dependency, social capital
Outcome: Operating performance - ROA
Results
Key findings: politically connected firms outperform their non-connected counterparts after the establishment of the connections. They also have high leverage ratio and increased debt maturities. Connected firms have easier access to debt. The performance is higher with stronger ties
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Politically connected firms improve their performance and increase their debt level after the establishment of political connections.
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections of newly privatized firms
Author(s): Boubakri, N.; Cosset, J.; Saffar, W.
Journal: Journal of Corporate Finance
Year: 2008
Keywords: Privatization, political connection, performance
Research objective/Question: To examine the extent of political connections in privatised firms and impact of political connections on operating performance
Methodology
Sample selection, size and characteristics: 245 privatized firms between 1980 and 2002
Data sources/ Data collection methods: list of privatized firms World Bank privatization database and Privatization barometer. Worldscope, Disclosure, Bankscope
Methods of analysis: Regressions
Themes
Context: Globalization, competition, Multiple countries
Intervention/Strategy: Relational
Mechanism implied by theory: Institutional theory, Agency theory
Outcome: Operating performance – ROA, ROE, Sales
Results
Key findings: Politically connected NPFs perform poorly when compared with their counterparts.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance: Politically-connected firms exhibit a poor accounting performance compared to their non-connected counterparts.
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections and preferential access to finance: The role of campaign contributions
Author(s): Claessens, S.; Feijen, E.; Laeven, L.
Journal: Journal of Financial Economics
Year: 2008
Keywords: Campaign contributions; Elections; Corruption; Preferential lending
Research objective/Question: Do higher campaign contributions imply more future firm-specific political favours? And, if so, what are these political favours?
Methodology
Sample selection, size and characteristics: 238 firms
Data sources/ Data collection methods: The data for both the 1998 and 2002 elections are collected by the Brazilian national election court, the Tribunal Superior Eleitoral (TSE).
Methods of analysis: Event study, Regression analysis
Themes
Context: Emerging economy, Brazil
Intervention/Strategy: Financial – campaign contributions
Mechanism implied by theory: Institutional theory, social capital
Outcome: Stock and Operating performance
Results
Key findings: There is evidence that higher campaign contributions to federal deputy candidates are associated with higher stock returns around the announcement of the election results. Contributing to deputy candidates that win the election has an even larger positive impact on stock returns...we find that the bank leverage of firms that made contributions to (elected) federal deputies increased substantially during the four years following the election.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Increased access to financing and stock price appreciation
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Do Politically Connected Boards Affect Firm Value?
Author(s): Goldman, E.; Rocholl, J.; So, J.
Journal: The Review of Financial Studies
Year: 2009
Keywords: political connections, corporate boards, firm value
Research objective/Question: To investigate whether politically connected boards add value to publicly traded firms.
Methodology
Sample selection, size and characteristics: 349 politically connections of S&P 500 firms,
Data sources/ Data collection methods: Center for Research in Security Prices (CRSP), Compustat data for the sample companies as well as CRSP data, Centre for Responsive Politics
Methods of analysis: Event study
Theoretical background:
Themes

Context: Competition, United States
Intervention/Strategy: Relational
Mechanism implied by theory: Agency theory
Outcome: Stock performance
Results
Key findings: Following the announcement of the board nomination of a politically connected individual, there is on average a positive and significant stock-price response. The announcement returns are positive for the Republican portfolio and negative for the Democratic portfolio. Connections are more valuable when current administration and politician belong to same party. Returns are higher in highly regulated industries than in non-regulated industries.
Limitations and Suggestions for future research: It will be interesting to explore the specific actions that create this value and their legal and political ramifications.
Contribution to Review Question
Positive performance: There is a positive abnormal return following the nomination of a politically connected board member
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Politicians on the Board of Directors: Do Connections Affect the Bottom Line?
Author(s): Hillman, A.
Journal: Journal of Management
Year: 2005
Keywords: boards of directors; politicians; board composition
Research objective/Question: Do politicians on boards add value to a firm?
Methodology
Sample selection, size and characteristics: 300 firms, 150 from each group of heavily regulated and lowly regulated industries
Data sources/ Data collection methods: Random sampling
Methods of analysis: Regression
Themes
Context: Globalization and competition, uncertainty, United States
Intervention/Strategy: Relational
Mechanism implied by theory: Resource dependency, RBV
Outcome: Stock and Operating performance
Results
Key findings: the number of politicians on a corporate board is positively and significantly related to market capitalization and Tobin Q. Though the relationship is positive for ROS and ROA, it is insignificant. Firms in heavily regulated industries perform better.
Limitations and Suggestions for future research: The study is cross-sectional, which limits the ability to discern causality. Another important limitation of this study is its U.S-centric view. The relationship between business and government and, specifically, politicians on the board of directors and firm performance is likely to be different in other institutional contexts. Future research could explore other types of directors (e.g., gender and ethnically diverse boards, representatives of important stakeholders, etc.), how environment/board alignment is achieved, and its subsequent effect on performance.
Contribution to Review Question
Positive performance: Politically connected firms are associated with better performance
Negative performance:
No impact:

Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Creating barriers for foreign competitors: A study of the impact of anti-dumping actions on the performance of US firms
Author(s): Marsh, S.
Journal: Strategic Management Journal
Year: 1998
Keywords: foreign competition; political strategy; trade protection
Research objective/Question: This study investigates whether anti-dumping statutes are effective at improving the performance of U.S. firms
Methodology
Sample selection, size and characteristics: 134 filings by 88 publicly traded firms
Data sources/ Data collection methods: petitioners were identified through the <i>USITC Annual Reports</i> for fiscal years 1980 through 1992.
Methods of analysis: Event study
Themes
Context/Geography: Globalization, competition, United States
Intervention/Strategy: Informational
Mechanism implied by theory: Agency theory
Outcome: Stock performance
Results
Key findings: The results show that for the initial filing of an anti-dumping petition, the average abnormal return was 0.01, or 1 percent, which is statistically significant...The analysis suggests that an initial filing event results in an average increase of \$45.9 million in market capitalization for petitioning firms. Firms benefit from anti-dumping petitions
Limitations and Suggestions for future research: More research is needed to understand what types of activity improve performance and how political activity complements other strategic decisions and actions a firm makes.
Contribution to Review Question
Positive performance: This analysis suggests that the market anticipates that anti-dumping petitions will create increased cash flow, and as a result, the market price of the securities increases 1 percent beyond the expected normal market price.”
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Big Business Owners in Politics
Author(s): Bunkanwanicha, P.; Wiwattanakantang, Y.
Journal: Review of Financial Studies
Year: 2009
Keywords: politics, business, contracts, Thailand
Research objective/Question: This paper provides new empirical evidence on the economic incentives enticing big business owners to seek election to top public office and the economic outcomes of holding office
Methodology
Sample selection, size and characteristics: 2000 listed and non-listed firms
Data sources/ Data collection methods: Financial information obtained from Worldscope and DataStream. The ownership information is obtained from two databases, namely, the I-SIM CDROM and the SETSMART online service produced by the Stock Exchange of Thailand (SET).

Business On Line (BOL) database provides the accounting and ownership information of non-listed companies. Electoral Commission of Thailand
Methods of analysis: Event Study -
Themes
Context: Emerging economies, Thailand
Intervention/Strategy: Relational – business owners entering politics
Mechanism implied by theory: social capital, Private-interest theory
Outcome: Stock performance
Results
Key findings: Big owners increase the value of their companies when they go into politics. There is a positive relationship between business tycoons holding concession contracts and their decision to run for public office.
Limitations and Suggestions for future research: Further studies could investigate the outcomes of tycoons holding top offices, in particular, whether they would leave the country better or worse off
Contribution to Review Question
Positive performance: After the tycoons took office, their firms achieved greater market valuation than other firms.
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Ownership and the Value of Political Connections: Evidence from China
Author(s): Wu, W.; Wu, C.; Rui, O. M.
Journal: European Financial Management
Year: 2012
Keywords: political connection, ownership, firm value, corporate governance, China
Research objective/Question: To investigate the impact of political ties conditional on ownership for a sample of Chinese firms over the period 1999–2006.
Methodology
Sample selection, size and characteristics: 1,331 firms
Data sources/ Data collection methods: China Stock Market and Accounting (CSMAR) database
Methods of analysis: Regression
Themes
Context: Emerging economy, China
Type of political strategy: Relational
Mechanism implied by theory: Agency theory, RBV
Outcome: Stock and Operating performance – Tobin Q and ROA
Results
Key findings: Private firms with politically connected managers have a higher value than those lacking such managers, whereas local SOEs (SOEs with local, rather than central, government as the ultimate owner) with politically connected managers have a lower value and poorer performance than those without such managers. Private firms with politically connected managers obtain more government subsidies than those lacking such managers, whereas local SOEs with politically connected managers employ more surplus labour than those without such managers. Private firms with politically connected managers are able to obtain more government subsidies than those without connected managers
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: politically connected managers have a higher value than those without connected managers

Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Politically connected CEOs, corporate governance, and Post-IPO performance of China's newly partially privatized firms
Author(s): Fan, J. P. H.; Wong, T. J.; Zhang, T.
Journal: Journal of Financial Economics
Year: 2007
Keywords: Political connections; Corporate governance; IPO performance; Partial privatization; China
Research objective/Question: To investigate the impact of political connections on post-IPO performance
Methodology
Sample selection, size and characteristics: 790 newly listed companies on Shanghai Stock Exchange and the Shenzhen Stock Exchange from 1993 to 2001
Data sources/ Data collection methods: IPO-year ownership data from the Shenzhen Genius Information Technology Company database; stock return and financial data from the China Stock Market and Accounting Research (CSMAR) database; and China's regional economic data from China Economic Information Network Data Co., Ltd.
Methods of analysis: Event study
Themes
Context/Geography: Emerging economy, economic transition, China
Intervention/Strategy: Relational
Mechanism implied by theory: Agency theory
Outcome: Stock and operating performance – CARs, sales, ROS
Results
Key findings: “The mean CAR of the group of firms run by politically connected CEOs exhibits a steep decline of 30% over the three years subsequent to the IPOs, while the mean CAR of the second group of firms exhibits a much smaller drop of 12% over the same period.” (p. 336-337) Firms with politically connected CEOs underperform those without politically connected CEOs by 7% one year after the IPO, 10% two years after the IPO, and 15% three years after the IPO. Politically connected CEOs experience deteriorating accounting performance subsequent to their IPOs, regardless of whether performance is measured by sales growth, earnings growth, or the change in ROS. Firms with politically connected CEOs are more likely to have boards populated by current or former government bureaucrats.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance: long-term post-IPO stock returns are significantly worse when a firm's CEO is politically connected. The accounting performance of a firm run by a politically connected CEO is also consistently worse than that of an otherwise similar firm.
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Academic earmarks and returns to lobbying
Author(s): de Figueiredo, J. M.; Silverman, B. S.
Journal: Journal of Law and Economics
Year: 2006
Keywords: lobbying, earmarks, universities,
Research objective/Question: To estimate the elasticities of lobbying with respect to academic earmarks (grants)

Methodology
Sample selection, size and characteristics:
Data sources/ Data collection methods: Academic earmarks data obtained from Center for Responsive Politics and Chronicle for Higher Education.
Methods of analysis: Regression
Themes
Context: Competition, United States
Intervention/Strategy: Relational and Financial – representation and lobbying expenditure
Mechanism implied by theory: Agency theory
Outcome: Policy – education earmarks
Results
Key findings: There is a 1% increase in lobbying expenditures by a university without representation on the House Appropriations Committee (HAC) or Senate Appropriations Committee (SAC) results in a 0.17% increase in earmarks....if the university is represented by a member of the HAC or SAC, then this 1% increase in lobbying yields an additional 0.28% or 0.35% increase in earmarks, respectively. Universities with representation lobby less.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: “Our main result is that universities that are represented by HAC or SAC members earn higher returns on their lobbying efforts than unrepresented universities”
Policy Influence failure:

Citation/Description
Title: Political Connections and Corporate Bailouts
Author(s): Faccio, M.; Masulis, R.W.; McConnell, J.J
Journal: Journal of Finance
Year: 2006
Keywords: political connections, bailouts, debt financing, performance
Research objective/Question: This study undertakes a systematic examination of the link between political connections and corporate bailouts. Do political connections lead to preferential corporate bailouts? Are bailouts of politically connected firms more likely in countries that receive International Monetary Fund (IMF) or World Bank (WB) rescue packages? Is the financial performance of politically connected bailed-out firms different from that of nonconnected bailed-out firms?
Methodology
Sample selection, size and characteristics: 450 firms from 35 countries between 1997-2002
Data sources/ Data collection methods: Data obtained <i>Chiefs of State and Cabinet Members of Foreign Governments</i> (U.S. Central Intelligence Agency, 1997) and the official web site of each country’s government and/or parliament. Worldscope, Extel, the company’s web sites, or Lexis-Nexis, Factiva
Methods of analysis: Regressions
Themes
Context: Regulation, competition, Multiple countries
Intervention/Strategy: Relational
Mechanism implied by theory: social capital, Agency theory
Outcome: Policy and operating performance – bailout and ROA
Results
Key findings: “politically connected (but publicly traded) firms are more likely to be bailed out than are their nonconnected peers...politically connected exhibit significantly poorer operating performance (ROA) than their

nonconnected peers at the time of the bailout and over the following 2 years... connected firms make greater use of debt financing than do their nonconnected peers.” (p. 2598). Lenders lend to connected firms either because of bailout out guarantee or coercion by government or benefits for making such loans.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance: Bailed-out connected firms have significantly lower <i>ROAs</i> than their industry peers and lower industry-adjusted <i>ROAs</i> than other bailed-out, but nonconnected, firms in the year of and in the 2 years following their bailouts
No impact:
Policy Influence success: Political connections apparently increase the likelihood of a government bailout of a troubled firm.
Policy Influence failure:

Citation/Description
Title: Cronyism and capital controls: evidence from Malaysia
Author(s): Johnson, S.; Mitton, T.;
Journal: Journal of Accounting and Economics
Year: 2003
Keywords: Capital controls; Political connections; Financial crises; Institutions
Research objective/Question: To investigate the value of political connections in Malaysia
Methodology
Sample selection, size and characteristics: 434 Malaysian firms
Data sources/ Data collection methods: Worldscape
Methods of analysis: Regression
Themes
Context: Emerging economy, Malaysia
Intervention/Strategy: Relational
Mechanism implied by theory: institutional theory, social capital
Outcome: Stock performance
Results
Key findings: Politically connected firms suffered more during the crisis but re-bounded more after capital controls were imposed. The performance is better with more powerful politicians.
Practical implications:
Limitations and Suggestions for future research: Using the analysis of Gomez and Jomo (1997) to identify connections has two limitations. First, these authors do not claim to have exhaustively identified every firm with political connections in Malaysia. Second, overtime some of these connections could have disappeared.
Contribution to Review Question
Positive performance: political connections affect firm value positively
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections and the process of going public: Evidence from China
Author(s): Francis, B. B.; Hasan, I.; Sun, X.
Journal: Journal of International Money & Finance
Year: 2009
Keywords: Political connections, IPO, emerging markets
Research objective/Question: This article examines how political connections impact the process of going

public. Specifically, it tests how political connections impact the pricing of the newly offered shares, the magnitude of under-pricing, and the fixed cost of going public.
Methodology
Sample selection, size and characteristics: 423 domestic IPOs during 1994–1999
Data sources/ Data collection methods: The list of companies going public is obtained from the New Issues of the Security Data Corporation (SDC).
Methods of analysis: Regression
Themes
Context: Economic transition, emerging economies, China
Type of political strategy: Relational
Mechanism implied by theory: social capital
Type of outcome: Stock performance
Results
Key findings: “To be specific, if the issuing firms (i) have board members who in the past- or are currently working for the government at least at a level equal or higher than a city mayor; (ii) use bookrunners that participated actively in the largest state-owned IPOs; (iii) have majority of shares controlled by the central government or other SOEs; or (iv) have any combination of the three, they are more likely to receive a higher than the median P/E ratio (a multiplier to determine the offering price) from the government” (p. 698). Cost of going public is lower for politically connected firms. Also, there is a negative relationship between political connectedness and the degree of under-pricing.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: The results show that there is a positive and statistically significant probability of getting a higher than the median P/E ratio if firms are politically connected to either through board members or bookrunners
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections, tax benefits and firm performance: Evidence from China
Author(s): Wu, W.; Wu, C.; Zhou, C.; Wu, J.
Journal: Journal of Accounting & Public Policy
Year: 2012
Keywords: political connections, private firms, SOEs, tax rate
Research objective/Question: This paper investigates the different effects of political connections on the firm performance of state-owned enterprises (SOEs) and privately owned enterprises.
Methodology
Sample selection, size and characteristics: 1408 firms sampled between 1999-2007
Data sources/ Data collection methods: China Stock Market and Accounting database (CSMAR).
Methods of analysis: Regression
Themes
Context: Economic transition, China
Type of political strategy: Relational
Mechanism implied by theory: Agency theory, social capital
Outcome: Stock and operating performance – ROA, Tobin Q, effective tax rate
Results
Key findings: The effective tax rates (ETRs) of private firms with connected managers are lower than that of private firms without such managers. Private firms with politically connected managers have higher valuation

than those without connected managers. Politically connected firms have higher ROAs than non-connected firms.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: private firms with politically connected managers outperform those without connected managers
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: The impact of managerial political connections and quality on government subsidies
Author(s): Wu, J.; Cheng, M. L.
Journal: Chinese Management Journal
Year: 2011
Keywords: Managerial political connections, Government subsidy, Managerial reputation, Company performance, China, Politics, Subsidies, Managers, Public companies
Research objective/Question: This study extends previous literature on political connections by examining the impact of managerial political connections on obtaining one specific external resource – government subsidies – in an emerging market
Methodology
Sample selection, size and characteristics: 212 Chinese firms
Data sources/ Data collection methods: SINOFIN database constructed by the China Center for Economic Research at Peking University. China Securities Regulatory Commission
Methods of analysis: Regression
Themes
Context: Economic transition, emerging economies, regulation, China
Intervention/Strategy: Relational
Mechanism implied by theory: Resource dependency, social capital
Outcome: Policy - subsidies
Results
Key findings: positive relationship between managerial political connections and government subsidies. Managerial reputation and firm past performance will influence government officials' judgment in allocating resources to firms with political ties. When past performance is high, managerial political connections have a very significant and positive impact on government subsidies.
Limitations and Suggestions for future research: Future research can design face-to-face interviews and directly measure corporate political connections. This study focuses only on one formal political tie – managerial work experience in government. Future research can explore the effect of other types of political connections, alone or in conjunction, on obtaining government subsidies. Third, while this study only considers the quantity of political connections, future work can explore the quality of such connections. Finally, the study examined the role of managerial political connections within a specific context (i.e. China), and future studies can explore this issue in other emerging markets and verify the generalizability of our findings.
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: Political connections are related to higher subsidies
Policy Influence failure:

Citation/Description
Title: Corporate campaign contributions and abnormal stock returns after presidential elections
Author(s): Huber, J.; Kirchler, M.
Journal: Public Choice
Year: 2013
Keywords: Presidential election · Corporate campaign contributions · Abnormal returns
Research objective/Question: To explore whether the total contributions of a company and the distribution of contributions to the winner and loser of an election were correlated with abnormal returns to its stocks
Methodology
Sample selection, size and characteristics: 400 firms
Data sources/ Data collection methods: Centre for Responsive Politics, DataStream
Methods of analysis: Regression
Themes
Context: Competition, United States
Intervention/Strategy: Financial - contributions
Mechanism implied by theory: social capital
Outcome: Stock performance
Results
Key findings: The log of total contributions given to the winner in a presidential election and (ii) the log of a company's total contribution (divided by market capitalization) were both positively and significantly related to its stock market performance in the two years after an election
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Companies experienced abnormal positive post-election returns with (i) a higher percentage of contributions given to the eventual winner
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Capital structure and political patronage: The case of Malaysia
Author(s): Fraser, D. R.; Zhang, H.; Derashid, C.
Journal: Journal of Banking and Finance
Year: 2006
Keywords: Capital structure; Political patronage; Malaysia
Research objective/Question: To examine the linkage between leverage and political connections
Methodology
Sample selection, size and characteristics: 257 firms
Data sources/ Data collection methods: Sample is hand-gathered from 1990 to 1999 annual reports published by firms listed on the Kuala Lumpur Stock Exchange (KLSE).
Methods of analysis: Regressions
Themes
Context: Emerging economy, Malaysia
Intervention/Strategy: Relational
Mechanism implied by theory: social capital
Outcome: Operating performance - leverage
Results

Key findings: Politically connected firms carry more debt than nonconnected firms. These connected firms have preferential access to financing. Political connections influence capital structure
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: These results suggest that political patronage is linked to a firm's ability to carry more debt
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Economic consequences of regulated changes in disclosure: the case of executive compensation
Author(s): Lo, K
Journal: Journal of Accounting and Economics
Year: 2003
Keywords: Corporate governance; Disclosure; Executive compensation; Securities regulation
Research objective/Question: This paper used several complementary approaches to assess the impact of the SEC's regulation of executive compensation disclosure
Methodology
Sample selection, size and characteristics: 195
Data sources/ Data collection methods: US SEC archives, Center for Research in Security Prices (CRSP).
Methods of analysis: Event study,
Themes
Context: Regulation, United States
Intervention/Strategy: informational – lobbying with information
Mechanism implied by theory: agency theory
Outcome: Stock and operating performance – ROA, ROE, CARs
Results
Key findings: Companies that lobbied against the regulation had, relative to control firms: (i) return-on assets and return-on-equity that improved by 0.5% and 3%, respectively; and (ii) excess stock returns of 6% over the 8-month period between the announcement and the adoption of the proposed regulation. Also, firms lobbying more vigorously against the proposal had more positive abnormal stock returns during events that increased the probability of regulation. ROA and ROE of firms that lobbied against the regulation improved in years after the regulation was passed.
Limitations and Suggestions for future research: Other disclosure regulations such as those concerning segmented reporting and the use of derivatives could provide fruitful research opportunities.
Contribution to Review Question
Positive performance: Lobbying firms improved their performance
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: The quality of accounting information in politically connected firms
Author(s): Chaney, P. K.; Faccio, M.; Parsley, D.
Journal: Journal of Accounting and Economics
Year: 2011
Keywords: Quality of information, Accruals quality, Political ties
Research objective/Question: This paper investigates whether earnings quality varies systematically with

political connections in a wide sample of countries and politically connected firms.
Methodology
Sample selection, size and characteristics: 4954 firms from 19 countries
Data sources/ Data collection methods: Worldscope, Lexis-Nexis, Extel, Chiefs of State (CIA)
Methods of analysis: Regression
Themes
Context: Competition, Multiple countries
Intervention/Strategy: Relational
Mechanism implied by theory: agency theory
Outcome: Operating performance - accruals quality
Results
Key findings: The quality of reported accounting information is systematically poorer for firms with political connections than for firms lacking such connections. The quality of accruals has no significant impact on a firm's likelihood of establishing a connection i.e. the quality of prior accruals does not explain a firm's propensity to establish a connection in a given period.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance: The presence of political connections is associated with a lower quality of accounting earnings
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political relationships, global financing, and corporate transparency: Evidence from Indonesia
Author(s): Leuz, C.; Oberholzer-Gee, F.
Journal: Journal of Financial Economics
Year: 2006
Keywords: political connections, financing, debt, equity, performance, Indonesia
Research objective/Question: This study examines the role of political connections in firms' financing strategies and their long run performance.
Methodology
Sample selection, size and characteristics: 130 Indonesian firms
Data sources/ Data collection methods: Worldscope, Datastream, Bloomberg, Global Access, and SDC as well as the SEC filings on Edgar, lists of foreign listings from major international stock exchanges, and the ADR lists provided by the Bank of New York and Citibank.
Methods of analysis: Regression
Themes
Context: Emerging economies, globalization, Indonesia
Intervention/Strategy: Relational
Mechanism implied by theory: social capital, institutional theory
Outcome: Stock performance
Results
Key findings: Results show that well-connected firms are less likely to have publicly traded debt or equity securities abroad, suggesting that connections and global financing are substitutes. Well-connected firms have access to preferential financing at home and therefore do not need to access foreign capital markets. Closely connected firms underperformed during the Asian financial crisis as long as Suharto was in power, recovered under Suharto's long-time ally Habibie, but significantly underperformed under Wahid, a cleric critical of the Suharto regime.

Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Political connections add value to firms
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political patronage and firm performance: Further evidence from Malaysia
Author(s): Hassan,T.; Hassan, M. K.; Mohamad, S.; Min, C. C.
Journal: Thunderbird International Business Review
Year: 2012
Keywords: political connections, Malaysia, operating performance
Research objective/Question: This paper investigates the characteristics, performance, and share price reaction of politically connected firms versus a control sample of independent firms in Malaysia
Methodology
Sample selection, size and characteristics: 82 Malaysian firms
Data sources/ Data collection methods: Annual reports,
Methods of analysis: Event study, regression
Theoretical background:
Themes
Context: emerging economy, Malaysia
Type of political strategy: Relational
Mechanism implied by theory: Agency theory
Outcome: Stock and operating – ROA and CARs
Results
Key findings: Politically connected firms had higher level of leverage, lower profitability, and lower sales to profitability, and paid lower taxes and lower dividends compared to independent firms. Their share prices increase with the announcement of favourable political events. In terms of performance, the active rent-seeking activities in return for preferential treatment produce comparable performance to independent firms during an economic upturn. However, their performance deteriorates more than independent firms during an economic downturn. Politically connected firms have easier access to debt financing
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Share price increase with announcement of political connections
Negative performance: Operating performance negative
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections and the cost of equity capital
Author(s): Boubakri, N.; Guedhami, O.; Mishra, D.; Saffar, W.
Journal: Journal of Corporate Finance
Year: 2012
Keywords: political connections, cost of equity, risk
Research objective/Question: This paper examines the cost of equity capital of politically connected firms
Methodology
Sample selection, size and characteristics: 1248 firm year observations from 26 countries

Data sources/ Data collection methods: Worldscape, Faccio (2006)
Methods of analysis: Regressions
Themes
Context: Multiple countries
Intervention/Strategy: Relational
Mechanism implied by theory: agency theory
Outcome: Stock performance – cost of equity
Results
Key findings: Politically connected firms enjoy a lower cost of equity capital than their nonconnected peers. Political connections are more valuable for firms with stronger ties to political power.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Investors require a lower cost of capital for politically connected firms, which suggest that politically connected firms are generally considered less risky than non-connected firms.
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market
Author(s): Khwaja, A. I.; Mian, A.
Journal: Quarterly Journal of Economics
Year: 2005
Keywords: Political connections, lenders, preferential lending, default rate
Research objective/Question: To investigate the impact of political connections and rents on lending
Methodology
Sample selection, size and characteristics: 93,316 firms
Data sources/ Data collection methods: Credit Information Bureau (CIB) database at the State Bank of Pakistan (SBP)
Methods of analysis: Regression
Themes
Context: Emerging economies, Pakistan
Intervention/Strategy: Relational
Mechanism implied by theory: social capital, institutional theory
Outcome: Operating performance - lending
Results
Key findings: Political firms borrow 45 percent more and have 50 percent higher default rates. Such preferential treatment occurs exclusively in government banks—private banks provide no political favours. Political rents increase with the strength of the firm’s politician and whether he or his party is in power.
Limitations and Suggestions for future research: How the nature and extent of rents affect the political and institutional environment presents another interesting direction of future enquiry.
Contribution to Review Question
Positive performance: Politically connected firms receive substantial preferential treatment. Not only do such firms receive 45 percent larger loans, but they also have 50 percent higher default rates on these loans
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Lobbying and Taxes
Author(s): Richter, B. K.; Samphantharak, K.; Timmons, J. F.
Journal: American Journal of Political Science
Year: 2009
Keywords: lobbying, tax, benefits
Research objective/Question: This paper investigates the tax benefits obtained from lobbying.
Methodology
Sample selection, size and characteristics: 3,952 firm-year observations
Data sources/ Data collection methods: Lobbying expenditure from Center for Responsive Politics (CRP) with financial accounting data on all active firms in the COMPUSTAT database
Methods of analysis: Regressions
Themes
Context: Competition, regulation, United States
Intervention/Strategy: Financial – lobbying expenditure
Mechanism implied by theory:
Outcome: Operating performance – effective tax rate
Results
Key findings: Firms that spend more on lobbying in a given year pay lower effective tax rates in the next year. Increasing registered lobbying expenditures by 1% appears to lower effective tax rates by somewhere in the range of 0.5 to 1.6 percentage points for the average firm that lobbies.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: On the average firms with higher lobbying expenditures in one year pay lower effective tax rates in the following year
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Campaign Contributions, Access, and Government Contracting
Author(s): Witko, C.
Journal: Journal of Public Administration Research and Theory
Year: 2011
Keywords: political donations, government contracts, corporate governance, firm reputation
Research objective/Question: This paper discusses how campaign contributions may influence contracting and considers the relationship between the donation of campaign contributions and the receipt of government contracts for a sample of firms politically active between 1979 and 2006.
Methodology
Sample selection, size and characteristics: 4771 observations
Data sources/ Data collection methods: Federal Procurement Data System, Lexis-Nexis
Methods of analysis: Regression analysis
Themes
Context: Competition, regulation, United States
Intervention/Strategy: Financial – campaign contributions
Mechanism implied by theory: Agency theory, social capital
Outcome: Policy – government contracts

Results
Key findings: The analysis shows that even after controlling for past contracts and other factors, companies that contributed more money to federal candidates subsequently received more contracts. Firms with more contracts and more campaign contributions last period receive more contracts and companies with a poorer reputation receive fewer contracts.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: Firms with more contracts and more campaign contributions in the last period receive more contracts
Policy Influence failure:

Citation/Description
Title: The value of local political capital in transition China
Author(s): Sun, P.; Xu, H.; Zhou, J.
Journal: Economic Letters
Year: 2011
Keywords: Political connections, Political capital, Transition, China
Research objective/Question: This paper documents stock market responses to the arrest of Shanghai's top leader by the Chinese central government in September 2006. It investigates the performance of firms with political connections to the Shanghai-based political network.
Methodology
Sample selection, size and characteristics: 137 firms listed on Shanghai stock exchange
Data sources/ Data collection methods: Shanghai stock exchange,
Methods of analysis: Event study
Themes
Context: Economic transition, emerging economies, China
Intervention/Strategy: Relational
Mechanism implied by theory: social capital
Outcome: Stock performance
Results
Key findings: The paper finds the significant value of personal-level political capital for Shanghai-based publicly traded companies. Event study results show that organizational ties to the local state per se were not valued by investors, but they were able to add value in combination with personal political connections: Firms that had both ownership and personal ties to the municipal government suffered the most negative CARs upon the damage of the local political network.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Firms derive value from political connections
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections and privatization: Evidence from China
Author(s): Tu, G.; Lin, B.; Liu, F.
Journal: Journal of Accounting and Public Policy
Year: 2013

Keywords: Privatization, China, political connections, acquisitions, premium
Research objective/Question: This paper examines how the political connections of acquirers influence the process and outcomes of privatization in China. It explores, in the Chinese context, how these connections affect the choice of privatization targets and target firm performance following privatization.
Methodology
Sample selection, size and characteristics: 210 firms
Data sources/ Data collection methods: Annual reports, newswires
Methods of analysis: Regression
Themes
Context: emerging economy, economic transition, competition, China
Intervention/Strategy: Relational
Mechanism implied by theory: social capital, institutional theory
Outcome: Stock and Operating performance – BHARs, ROA
Results
Key findings: PCAs buy more profitable firms and engage in more tunnelling activities. Bribery and Political activity are negatively associated with ROA and BHAR, which indicates that relative performance deteriorates among firms that are acquired by PCAs. PCAs gain control of better performing target firms without paying a higher premium relative to their counterparts without political connections
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: PCAs are more likely to obtain higher quality deals. Politically connected acquirers receive preferential treatment and acquire higher quality firms during full privatization
Negative performance: Firms acquired by PCAs have lower ROA and BHAR than firms acquired by non-PCAs.
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections and trade expansion
Author(s): Lu, Y.
Journal: Economics of Transition
Year: 2011
Keywords: Political connections, trade expansion, economic institutions, Chinese People's Congress
Research objective/Question: This article, using a 2004 survey of Chinese private firms, empirically studies the impact of political connections (indicated by being a deputy to the Chinese People's Congress) on trade expansion
Methodology
Sample selection, size and characteristics: 1,603 observations
Data sources/ Data collection methods: Survey of China's Private Enterprises conducted in 2004. The Survey was conducted jointly by the United Front Work Department of the Central Committee of the Communist Party of China, the All China Industry and Commerce Federation, and the China Society of Private Economy at the Chinese Academy of Social Sciences.
Methods of analysis: Regression
Theoretical background:
Themes
Context: economic transition, competition, globalization, China
Intervention/Strategy: Relational
Mechanism implied by theory: Institutional theory
Outcome: Operating performance – sales and trade expansion

Results
Key findings: Regression results show that political connections, measured by being a deputy to the CPC, have a positive impact on the firm's degree of trade expansion. Specifically, being a deputy to the CPC reduces the percentage of sales in the local county, and increases the trade in other counties in the same region and in other regions
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Political connections positively affect trade expansion by overcoming insecure property rights institutions and inefficient contracting institutions in other regions
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political Connectedness and Firm Performance: Evidence from Germany
Author(s): Niessen, A.; Ruenzi, S.
Journal: German Economic Review
Year: 2010
Keywords: Political connectedness; firm value; firm performance
Research objective/Question: This paper examines the value of political connections in Germany
Methodology
Sample selection, size and characteristics: 605 firms from the German largest stock market index CDAX
Data sources/ Data collection methods: Bundestag website, Factset/JCF and Datastream
Methods of analysis: Regression
Themes
Context: Competition, Germany
Intervention/Strategy: Relational
Mechanism implied by theory:
Outcome: Stock and Operating performance – ROE, ROI
Results
Key findings: Politically connected firms are larger, less risky and have lower market valuations than unconnected firms. They also have fewer growth opportunities, but slightly better accounting performance. On the stock market, connected firms significantly outperformed unconnected firms in 2006. Politically connected firms provide better accounting as well as stock market performance. Specifically, politically connected firms had higher returns on equity (ROE) and returns on investments (ROI) in 2006 and 2007. Regarding stock market performance, politically connected firms had higher raw returns, higher industry adjusted returns and higher Sharpe (1966) Ratios than unconnected firms in 2006.
Limitations and Suggestions for future research: The data covers the years 2006 and 2007. While the data from the year 2006 has the unique advantage that information on political connections was not yet publicly available (and thus could not be reflected in stock prices but had an impact on stock returns), this data basis obviously is still extremely limited. It should be emphasized again that our results can only be interpreted as evidence for a positive correlation between various measures of political connections and firm performance. Causality statements cannot be made. Further studies could examine whether the probability of a delegate being re-elected depends on whether that person is on the payroll of a firm or not, or whether there is any impact on the stock price of firms if a delegate they are connected to is (or is not) re-elected.
Contribution to Review Question
Positive performance: Political connections are valuable assets for firms
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Politicians 'on Board': Do Political Connections Affect Banking Activities in Italy?
Author(s): Carretta, A.; Farina, V.; Gon, A.; Parisi, A.
Journal: European Management Journal
Year: 2012
Keywords: cooperative banks; politics; corporate governance
Research objective/Question: This paper presents an empirical analysis to investigate whether politicians serving on the board of directors for banks influence performance, lending, and risk taking behaviours
Methodology
Sample selection, size and characteristics: 123 Italian cooperative banks
Data sources/ Data collection methods: Bankscope, websites of parliament and ministry of Interior, annual reports of banks
Methods of analysis: Regression analysis
Themes
Context: Italy
Intervention/Strategy: Relational
Mechanism implied by theory: resource dependency
Outcome: Operating performance – loans, interest revenues, equity
Results
Key findings: The results suggest that politicians who hold executive roles on the board of directors seem to exert a negative impact on banking activity. Politicians who hold executive roles on the board of directors seem to exert a negative impact on net interest revenues, loan portfolio quality and capitalization level; and a positive impact on banks' efficiency in terms of overhead costs
Limitations and Suggestions for future research: Future studies could examine under what conditions interlocking directorates generated by political ties among banks and firms affect lending behaviour of banks. It is important to analyse if banks with politicians on the board differ in their behaviour on the basis of the strength of the political party in the reference area.
Contribution to Review Question
Positive performance:
Negative performance: Politicians on the board have a generally negative impact on banking activity
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Corporate political strategies
Author(s): Mathur, I.; Singh, M.
Journal: Accounting & Finance
Year: 2011
Keywords: Corporate political strategies; Shareholder rights; Agency conflict; Lobbying
Research objective/Question: The paper presents focused preliminary evidence on the determinants and value impact of corporate lobbying strategies.
Methodology
Sample selection, size and characteristics: 5452 firms
Data sources/ Data collection methods: Centre for Responsive Politics, COMPUSTAT
Methods of analysis: Regression analysis
Themes
Context: United States

Intervention/Strategy: Financial – lobbying expenditure
Mechanism implied by theory: agency theory
Outcome: Operating performance – ROI and ROA
Results
Key findings: In terms of return on invested capital and return on assets, lobbying firms actually perform relatively poorly. However, they outperform nonlobbying firms in terms of return on equity. This is reflective of higher leverage in lobbying firms compared to nonlobbying firms. Lobbying positively influences value creation whether measured in MVA or EVA terms.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Lobbying firms are significantly more value generating – in terms of both the market value added and economic value added
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Managerial Ties and Firm Performance in a Transition Economy: the Nature of a Micro-Macro Link
Author(s): Peng, M. W.; Luo, Y.
Journal: Academy of Management Journal
Year: 2000
Keywords: Managerial ties, firm performance, China
Research objective/Question: This paper examines the impact of managers' micro interpersonal ties with top executives at other firms and with government officials on macro organizational performance.
Methodology
Sample selection, size and characteristics: 127 managers
Data sources/ Data collection methods: Survey, CIBC, China Statistics Yearbook
Methods of analysis: Regression analysis
Themes
Context: economic transition, China
Intervention/Strategy: Relational – ties to managers and politicians
Mechanism implied by theory: social capital, Resource-based view, Resource dependency theory
Outcome: Operating performance – ROA and market share
Results
Key findings: The results indicate that ties with government officials are more important than ties with managers at other firms, suggesting that firms may have greater resource dependence on officials than on other firms.
Limitations and Suggestions for future research: The study did not examine the possible effect of firm performance on managerial ties. The relationship focused on may not be causal. Moreover, it relied primarily on perceptual measures and were unable to employ some of the more sophisticated quantitative techniques typically found in social network analysis
Contribution to Review Question
Positive performance: Ties with government officials, on the other hand, have a consistently significant effect on both indicators of firm performance.
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Do Campaign Contributions and Lobbying Expenditures by Firms Create "Political" Capital?
Author(s): Hersch, P.; Netter, J. M.; Pope, C.
Journal: Atlantic Economic Journal
Year: 2008
Keywords: Political contributions, Lobbying expenditures, Tobin's q, Political capital
Research objective/Question: This paper examines the relation between a firm's campaign contributions and lobbying expenditures and its Tobin's q. It tests whether political expenditures (campaign contributions and lobbying) affect the value of the firm's assets (through the intangible asset of political capital) as proxied by Tobin's q.
Methodology
Sample selection, size and characteristics: 1331 firm year observations of publicly held firms with annual sales exceeding \$500 million
Data sources/ Data collection methods: COMPUSTAT, Centre for Responsive Politics
Methods of analysis: Regression
Themes
Context: United States
Intervention/Strategy: Financial – contributions and lobbying expenditures
Mechanism implied by theory: RBV
Outcome: Stock performance – Tobin q
Results
Key findings: There is little relation between q and political contributions, suggesting that campaign contributions may not have long term effects on political markets. Campaign contributions do not create value by creating financial capital.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact: Political spending does not seem to be valued as long-run capital
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Political connections, corporate governance and preferential bank loans
Author(s): Yeh, Y.; Shu, P.; Chiu, S.
Journal: Pacific-Basin Finance Journal
Year: 2013
Keywords: Political connection, Corporate governance, Preferential bank loan
Research objective/Question: This paper investigates how political connections are related to preferential bank loans.
Methodology
Sample selection, size and characteristics: 858 listed firms
Data sources/ Data collection methods: Taiwan Economic Journal (TEJ), the Market Observation Post System (MOPS) and the Taiwan Stock Exchange (TSE)
Methods of analysis: Event study, regression
Themes
Context: emerging economies, Taiwan
Intervention/Strategy: Relational
Mechanism implied by theory: social capital,

Outcome: Operating and stock performance – preferential loans, ROA, CARs
Results
Key findings: KMT-connected (DPP-connected) firms were associated with higher (lower) abnormal returns before the 2004 election. This pattern of returns was reversed after the unexpected win by DPP. Political connections were positively correlated with preferential bank loans. KMT-connected firms were associated with a higher proportion of 3-year or beyond, non-collateral bank loans from government-controlled banks than their non-connected peers from 1998 to 2000. The average ROA is significantly higher for connected firms (5.03%) than it is for non-connected firms (3.90%). Moreover, politically connected firms are associated with a lower collateral value (46.14%) than that of connected firms (49.07%).
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Political connections add value to firms
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: The Jeffords Effect
Author(s): Jayachandran, S.
Journal: Journal of Law and Economics
Year: 2006
Keywords: Jeffords, Republicans, Democrats, donations, stock returns
Research objective/Question: In May 2001 Senator Jim Jeffords left the Republican Party and tipped control of the U.S. Senate to the Democrats. This paper uses the surprise event to demonstrate what is termed the "Jeffords effect": changes in the political landscape have large effects on the market value of firms.
Methodology
Sample selection, size and characteristics: 498 firms on Forbe's 500 firms list for 2001
Data sources/ Data collection methods: Stock price data are from the Center for Research on Security Prices (CRSP) and soft money donations from Federal Election Commission (FEC)
Methods of analysis: Event study
Themes
Context: Power change, United States
Intervention/Strategy: Financial – soft money donations
Mechanism implied by theory: social capital, agency theory
Outcome: Stock performance - CARs
Results
Key findings: The Jeffords defection caused a firm that had donated \$250,000 to the Republicans in the previous election cycle (which was the average among Republican donors in the sample) to lose 0.8% of market capitalization the week of Jeffords' switch. Based on the point estimates, the same level of Democratic donations is associated with a gain in market value that is smaller in magnitude (0.4%), though the estimates are consistent with the coefficients being equal and opposite. The relationship between stock returns and political donations appears to persist for several weeks after the event.
Limitations and Suggestions for future research: Future research could use the Jeffords event to try to determine the extent to which corporate donations cause politicians to be helpful to a firm. Another interesting topic would be if firms changed their donation strategy after the Jeffords event
Contribution to Review Question
Positive performance: Firms derive value from political connections
Negative performance:
No impact:
Policy Influence success:

Policy Influence failure:

Citation/Description
Title: Friends in high places: The wealth effects of JFK's assassination on the assets of LBJ's supporters
Author(s): Brown, W.
Journal: Public Choice
Year: 1996
Keywords: Contributions, presidency, market value
Research objective/Question: This paper uses anecdotal evidence to identify a group of firms that had significant ties to President Lyndon Johnson and determines the effect of Johnson's unexpected rise to the Presidency on the market value of these firms
Methodology
Sample selection, size and characteristics: 63 firms
Data sources/ Data collection methods: Hand-picked from evidence of previous studies
Methods of analysis: Event study
Themes
Context: power change, United States
Intervention/Strategy: Financial - contributions
Mechanism implied by theory: social capital
Outcome: Stock performance
Results
Key findings: On average, the sixty-three firms experienced an increase in value that was 0.85% greater than predicted by the market model.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Political connections and campaign contributions significantly add value to firms. The markets expect significant benefits to accrue to firms that are connected to politicians.
Negative performance:
No impact:
Policy success:
Policy failure:

Citation/Description
Title: Are Antidumping Duties for Sale? Case-Level Evidence on the Grossman-Helpman Protection for Sale Model
Author(s): Evans, C. L.; Sherlund, S. M.
Journal: Southern Economic Journal
Year: 2011
Keywords: antidumping, political activity, import penetration, duties
Research objective/Question: Do contributions to politicians affect trade policy? This article examines the relationship between antidumping decisions and political activism
Methodology
Sample selection, size and characteristics: 1126 cases
Data sources/ Data collection methods: Database compiled by Bruce Blonigen and Chad Brown, and ITC, ITA/DOC, and Customs and Border Protection Web sites and documents. PAC data from FEC, CRP
Methods of analysis: Regression
Themes
Context: Regulation, competition, United States
Intervention/Strategy: Financial – PAC contributions

Mechanism implied by theory: social capital
Outcome: Policy
Results
Key findings: The results indicate that money does matter. We find that politically active petitioners are more likely to receive protection and that antidumping duty rates tend to be higher for that group. In addition, the relationship between the import penetration ratio and duties imposed depends on whether or not petitioners are politically active—antidumping duties are positively correlated with the import penetration ratio for politically inactive petitioners but negatively correlated for politically active petitioners
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: Politically active petitioners are more likely to receive protection; we also find that antidumping duty rates tend to be higher for that group.
Policy Influence failure:

Citation/Description
Title: Corporate Lobbying in Antidumping Cases: Looking into the Continued Dumping and Subsidy Offset Act
Author(s): Lee, S.; Baik, Y.
Journal: Journal of Business Ethics
Year: 2010
Keywords: antidumping, lobbying, protection, Byrd amendment
Research objective/Question: This research examines the effect of corporate lobbying on the disbursement of proceeds of the recent antidumping petitions under the Continued Dumping and Subsidy Offset Act, the so-called Byrd amendment.
Methodology
Sample selection, size and characteristics: 1251 petitions by 58 firms
Data sources/ Data collection methods: U.S. Customs Service's CDSOA database, Center for Responsive Politics, COMPUSTAT database
Methods of analysis: Regression
Themes
Context: Competition, regulation, United States
Intervention/Strategy: Financial – lobbying expenditure
Mechanism implied by theory: social capital, agency theory
Outcome: Policy
Results
Key findings: Lobbying elasticity of CDSOA disbursement is 15%. That is, a 1% increase of corporate lobbying expenditure leads to 15% increase of CDSOA disbursement, when controlling for other things. Corporate lobbying is very effective in influencing the disbursement of antidumping duties under the CDSOA
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: Petitioning firms' lobbying is found to increase their CDSOA disbursement proceeds significantly. The more a firm engages in lobbying activities, the greater the protection
Policy Influence failure:

Citation/Description
Title: Unions, PAC contributions, and the NAFTA vote
Author(s): Steagall, J. W.; Jennings, K.
Journal: Journal of Labor Research
Year: 1996
Keywords: PACs, NAFTA, voting
Research objective/Question: This paper explores how PACs influenced the House of Representatives' vote on the North American Free Trade Agreement (NAFTA)
Methodology
Sample selection, size and characteristics: 430 representatives
Data sources/ Data collection methods: CRP
Methods of analysis: Regression
Themes
Context: Regulation, competition, globalization, United States
Intervention/Strategy: Financial – PAC contributions
Mechanism implied by theory: resource dependency
Outcome: Policy – NAFTA agreement
Results
Key findings: Representatives who depended largely on labor PACs tended to oppose NAFTA, while Representatives who derived a large proportion of their campaign contributions from business PACs tended to favour its passage.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: PAC contributions explain the voting behaviour of members of the House of Representatives in the case of the North American Free Trade Agreement
Policy Influence failure:

Citation/Description
Title: The Political Economy of the US Mortgage Default Crisis
Author(s): Mian, A.; Sufi, A.; Trebbi, F.
Journal: American Economic Review
Year: 2010
Keywords: special interests, contributions, congress, voting behaviour
Research objective/Question: This article examines the effects of constituents, special interests (contributions), and ideology on congressional voting on two of the most significant pieces of legislation in US economic history
Methodology
Sample selection, size and characteristics: 433 observations (votes)
Data sources/ Data collection methods: Equifax, CRP
Methods of analysis: Regression
Theoretical background:
Themes
Context/Geography: Regulation, United States
Intervention/Strategy: Financial - contributions
Mechanism implied by theory: social capital
Outcome: Policy

Results
Key findings: Special interests in the form of higher campaign contributions from the financial industry increase the likelihood of supporting the Emergency Economic Stabilization Act. A strong predictor of voting behaviour on EESA is the amount of campaign contributions from the financial services industry. This finding is consistent with anecdotal evidence suggesting that the financial industry lobbied heavily to shape the EESA and get it passed.
Limitations and Suggestions for future research: External validity is limited because the result presented is not informative of how legislators vote on all regulations.
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: Special interest campaign contributions from the financial services industry are positively related to votes in favour of the EESA
Policy Influence failure:

Citation/Description
Title: Determinants of Foreign Trade Mission Participation: An Analysis of Corporate Political and Trade Activities
Author(s): Schuler, D. A.; Schnietz, K. E.; Baggett, L. S.
Journal: Business & Society
Year: 2002
Keywords: soft money, political donations, mission participation, political tactics, democratic party
Research objective/Question: This article seeks to shed light on the popular debate over the mission selection process by analyzing factors resulting in firm selection for mission participation from 1993 to 1996.
Methodology
Sample selection, size and characteristics: 95 firms
Data sources/ Data collection methods: Department of Commerce, Lexis-Nexis, Business America, COMPUSTAT, Public Disclosure and FEC websites
Methods of analysis: Regression
Themes
Context: Competition, globalization, United States
Intervention/Strategy: Financial
Mechanism implied by theory: social capital
Outcome: Policy – trade mission participations
Results
Key findings: Firms making large soft money contributions to Democratic Party organizations were five times more likely to participate on a trade mission than firms not making soft money donations or making only PAC donations. Hard money donations to Democrats actually reduced a firm's likelihood of trade mission participation, albeit by a small amount. Firms employing multiple political tactics were 3.5 times as likely to go on a trade mission as firms employing no political tactics or only one
Limitations and Suggestions for future research: Perhaps most important, the ideal analysis would compare firms that actually applied to the Department of Commerce for trade mission participation but were rejected. Second, data limitations restrict this analysis to a subset of only 48 of the actual 154 mission-participating firms. Finally, it is possible that trade mission participation is a form of business political activity rather than simply an outcome of business political activity. If so, then mission participation and political activity may be correlated because they are overlapping measures of the same construct. The link between soft money, rather than hard money, in explaining mission participation should direct researchers to consider soft money in future analyses of corporate political activity. Students of corporate political activity should distinguish between soft and hard money donations in research on political influence tactics after the mid-1990s.
Contribution to Review Question

Positive performance:
Negative performance:
No impact:
Policy Influence success: Soft money donations allowed firms to participate in US foreign trade mission and policy
Policy Influence failure:

Citation/Description
Title: Effects of top managers cabinet appointments on shareholder's wealth
Author(s): McGuire, J.; Schneeweis, T.; Naroff, J.
Journal: Academy of Management Journal
Year: 1988
Keywords: cabinet appointment, management changes, value, executives
Research objective/Question: This study examines how the appointment to cabinet position of a firm's executive affects the stock value
Methodology
Sample selection, size and characteristics: 70 appointments
Data sources/ Data collection methods: Data from previous studies (McGuire and Schneeweis, 1985)
Methods of analysis: Event study
Themes
Context: Management change, United States
Intervention/Strategy: Relational
Mechanism implied by theory: RBV, social capital
Outcome: Stock performance
Results
Key findings: There is a significant increase in abnormal return in the 5 days following the appointment of executives to cabinet positions. Investors perceive management changes resulting from cabinet appointments more favourably than other types of management changes.
Limitations and Suggestions for future research: 5-day event window is long enough for any confounding events to affect the results. Data was small. Future studies could examine the impact of cabinet position, administration, and firm characteristics on the market reaction to executive succession.
Contribution to Review Question
Positive performance: Political appointments of firm executives add value to firms
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Mixing Family Business with Politics in Thailand
Author(s): Imai, M.
Journal: Asian Economic Journal
Year: 2006
Keywords: cronyism, political connection, family business, Thailand.
Research objective/Question: This paper uses newly compiled data on Thai family businesses and their direct participation in politics to examine whether the political participation of family business yields private economic payoff.
Methodology
Sample selection, size and characteristics: 477 firms
Data sources/ Data collection methods: <i>Thai Business Group: A Unique Guide to Who Owns What</i> , by the Brooker Group, SETSMART (Stock Exchange of Thailand)

Methods of analysis: Regression
Themes
Context/Geography: Emerging economy, Thailand
Intervention/Strategy: Relational
Mechanism implied by theory: institutional theory, social capital
Outcome: Operating performance - ROA
Results
Key findings: The paper finds that the political participation of family members is positively associated with the profitability of family businesses. Furthermore, this 'political benefit' is found to be particularly large when firms are connected to cabinet members. Firms connected to cabinet members are found, on average, to enjoy 9 percent higher profitability than unconnected firms. Furthermore, the profitability difference between firms connected to politicians who are not in the cabinet, and firms connected to cabinet members is 7 percent.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: Political connection is an important determinant of firm profitability in Thailand
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Did firms profit from soft money?
Author(s): Ansolabehere, S.D.; Synder, J.M.; Ueda, M.
Journal: Election Law Journal
Year: 2004
Keywords: soft money, returns, BCRA
Research objective/Question: This paper uses event study methodology to measure whether firms that gave soft money to political parties received excessively high rates of returns from their contributions.
Methodology
Sample selection, size and characteristics: 446 of Fortune 500 firms
Data sources/ Data collection methods: CRSP
Methods of analysis: Event Study
Themes
Context: Competition, United States
Intervention/Strategy: Financial – soft money
Mechanism implied by theory: agency theory
Outcome: Stock performance
Results
Key findings: The events marking the passage of BCRA and the Court's decision to uphold the law had no statistically discernible effect on the valuation of firms that gave large amounts of soft money. That is, the data are consistent with the hypothesis that all of the events had zero effect on the valuations of all types of firms
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact: Bipartisan Campaign Reform Act did not affect the profitability of corporations that gave considerable amounts of soft money
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Corporate political donations: investment or agency?
Author(s): Aggarwal, R.K.; Meschke, F.; Wang, T.Y.
Journal: Business & Politics
Year: 2011
Keywords: Political contributions; agency problems; stock returns
Research objective/Question: This paper examines corporate donations to political candidates for federal offices in the United States from 1991 to 2004 and the impact of donations on firm performance
Methodology
Sample selection, size and characteristics: 1,381 publicly traded firms
Data sources/ Data collection methods: CRP, CRSP, DataStream
Methods of analysis: Event Study, Regression
Themes
Context: Competition, United States
Intervention/Strategy: Financial – soft money
Mechanism implied by theory: agency theory
Outcome: Stock performance
Results
Key findings: Donations are negatively correlated with returns. A \$10,000 increase in donations is associated with a reduction in annual excess returns of 7.4 basis points. Donating firms engage in more acquisitions and their acquisitions have significantly lower cumulative abnormal announcement returns than non-donating firms. Donating to either winners or losers is associated with worse returns than not donating at all
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance: Political donations are reflective of an agency problem
No impact:
Policy Influence success:
Policy Influence failure:

Citation/Description
Title: Interest Group Competition on Federal Agency Rules
Author(s): McKay, A.; Webb-Yackee, S.
Journal: American Politics Research
Year: 2007
Keywords: Interest groups; organized interests; competitive lobbying; bureaucracy; agency rulemaking
Research objective/Question: Do government agencies respond to lobbying by changing agency policies?
Methodology
Sample selection, size and characteristics: 1,693 comments to 40 agency rules
Data sources/ Data collection methods: U.S. Department of Labour's Occupational Safety and Health Administration and Employment Standards Administration and the U.S. Department of Transportation's Federal Railroad Administration and Federal Highway Administration
Methods of analysis: Regression
Themes
Context/Geography: competition, regulation, United States
Intervention/Strategy: Informational – comments
Mechanism implied by theory: agency theory
Outcome: Policy

Results
Key findings: When one side of a policy issue dominates the public comment process, this dominant side is able to shift the implementation of public policy toward its preferred policy position. The content and the number of comments help determine the level of government regulation in final rules. The results suggest that the bureaucracy responds to the magnitude of the split in commenter preferences in addition to the direction of this split
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: Agencies change the content of final rules in favour of the side that dominates the submission of comments
Policy Influence failure:

Citation/Description
Title: Do corporate PACs restrict competition? An empirical examination of industry PAC contributions and entry
Author(s): Dean, T.; Vryza, M.; Fryxell, G. E.
Journal: Business & Society
Year: 1998
Keywords: PAC spending, entry, industry structure
Research objective/Question: This paper examines the impact of PAC on entry restriction in manufacturing industries
Methodology
Sample selection, size and characteristics: firms from 220 manufacturing industries
Data sources/ Data collection methods: US department of Commerce, Federal Trade Commission, Small Business Administration, FEC
Methods of analysis: Regression
Themes
Context: competition, regulation, United States
Intervention/Strategy: Financial – PAC spending
Mechanism implied by theory: social capital
Outcome: Policy
Results
Key findings: PAC spending reduced entry of new firms. This finding is greater for concentrated industries
Limitations and Suggestions for future research: Data was limited; generalizations are limited; and correlations could be spurious due to absence of lagged variables. Future research could explore how PACs influence other industry structures, or explore the specific measures through which PACs influence industry structure or restrict competition
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: There is a negative relationship between PAC spending and entry of new firms
Policy Influence failure:

Citation/Description
Title: The returns from rent seeking: campaign contributions, firm subsidies and Byrd amendment
Author(s): Liebman, B. H.; Reynolds, K. M.
Journal: Canadian Journal of Economics

Year: 2006
Keywords: anti-dumping, campaign contributions, disbursement
Research objective/Question: This article examines Congressional support of a new law that distributes antidumping duties to protected firms. It determines whether the decision to sponsor the Byrd Amendment was influenced by contributions from firms that eventually received Byrd disbursements. Second, it investigates whether firms facing the biggest rewards from the Byrd Amendment (as measured in 2001 disbursements) contributed more funds to Congress prior to the bill's passage to ensure its success.
Methodology
Sample selection, size and characteristics: 524 observations
Data sources/ Data collection methods: FEC
Methods of analysis: Regression
Themes
Context: competition, regulation, United States
Intervention/Strategy: Financial – PAC contributions
Mechanism implied by theory: resource dependency theory
Outcome: Policy
Results
Key findings: Campaign contributions from beneficiaries increased the likelihood that lawmakers would sponsor the law, while contributions from the law's beneficiaries increased with the rewards they expected to receive
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance:
Negative performance:
No impact:
Policy Influence success: Contributions from beneficiary firms increased a legislator's probability of sponsoring the Byrd Amendment. Additionally, political contributions from the law's beneficiaries increased with the rewards they expected to receive
Policy Influence failure:

Citation/Description
Title: Corporate Political Contributions and Stock Returns
Author(s): Cooper, M. J.; Gulen, H.; Ovtchinnikov, A. V.
Journal: Journal of Finance
Year: 2010
Keywords: Contributions, abnormal returns, political connections
Research objective/Question: This paper examines whether there exists a robust relation between firm contributions and contributing firm returns.
Methodology
Sample selection, size and characteristics: 1, 930
Data sources/ Data collection methods: FEC, CSRP, COMPUSTAT
Methods of analysis: Regression
Themes
Context: Competition, United States
Intervention/Strategy: Financial
Mechanism implied by theory: agency theory
Outcome: Stock performance
Results
Key findings: There is a strong and robust correlation between PAC contributions and a firm's future abnormal returns. The correlations are strongest for firms that support a greater number of candidates that hold office in

the same state that the firm is based in and for firms whose contributions are slanted toward House candidates and Democrats.
Limitations and Suggestions for future research:
Contribution to Review Question
Positive performance: The number of supported candidates has a statistically significant positive relation with future abnormal returns for firms that contribute to political candidates.
Negative performance:
No impact:
Policy Influence success:
Policy Influence failure: